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**PRIVATE SECTOR IN DEVELOPMENT
COOPERATION**

**MAPPING INTERNATIONAL DEBATES, DONOR POLICIES,
AND FLEMISH DEVELOPMENT COOPERATION**

**Sarah Vaes
Huib Huyse**

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Research commissioned in the context of the Policy Research Centre on Foreign Affairs, International Entrepreneurship and Development Cooperation for the Flemish Government.

Onderzoek in opdracht van het Steunpunt Buitenlands Beleid, Internationaal Ondernemen en Ontwikkelingssamenwerking van de Vlaamse Overheid.

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Preface

The study reported on in this publication is conducted in the framework of the Flemish Policy Research Centre on Foreign Affairs, International Entrepreneurship and Development Cooperation. The centre's research is structured in four thematic pillars: (i) International and European Law; (ii) International and European Policy; (iii) International Entrepreneurship; and (iv) Development Cooperation. As part of the fourth pillar, which is coordinated by the Research Institute on Work and Society (HIVA), a medium term research project on the role of the private sector is ongoing. This report presents the results of the first research phase.

Contents

Preface	3
List of abbreviations	6
Samenvatting (NL)	7
Key messages	15
Introduction	15
Research scope	15
Methodology & outline	15
1 Private sector's role in development upgraded	17
1.1 Business in the development spotlight	17
1.2 Something old and something new	17
1.3 Drivers	19
1.4 A multi-level thing	20
1.5 Facts and figures	21
1.6 In three sentences	22
2 The role of private sector in development: mapping a moving goal post	24
2.1 Biting the conceptual bullet	24
2.2 Typology	26
2.3 In three sentences	30
3 Bird's eye view on current private sector donor policies	31
3.1 Front runners	31
3.2 Australia	31
3.3 The Netherlands	34
3.4 Sweden	39
3.5 Discussion across donors	42
3.6 In three sentences	46
4 The role of the private sector in Flanders' aid	47
4.1 Policy shift?	47
4.2 Rationale and approaches	48
4.3 Roles and instruments	49
4.4 In three sentences	58
5 Further research	59
6 Annexes	60
appendix 1 Overview of typologies (visuals)	60
appendix 2 Preliminary overview of private sector actors and roles in DIV projects in Malawi, South Africa and Mozambique	65
appendix 3 Data collection overview	71
References	73

List of abbreviations

NGO	Non-governmental organisation
INGO	International non-governmental organisation
CSO	Civil society organisation
PS4D	Private sector for development
FDI	Foreign direct investment
(M)SMEs	(Micro,) small and medium sized enterprises
IFI	International finance institution
NES	National export strategy
ITUC	International Trade Union Cooperation
HLF	High Level Forum
IFC	International Finance Corporation
DFI	Development finance institution
BoP	Bottom of the Pyramid
BDS	Business development services
PSD	Private sector development
PSE	Private sector engagement
GAIN	Global Alliance for Improved Nutrition
SAP	Structural adjustment program
PPP	Public private partnership
IMF	International Monetary Fund
DFAT	Department of Foreign Affairs and Trade (Australia)
Sida	Swedish International Development Cooperation
CHAI	Clinton Health Access Initiative
CSR	Corporate social responsibility
SWAP	Sector-wide approach
DRIVE	Developmentally Relevant Infrastructure Investment Vehicle
ORET	Ontwikkelingsrelevante Exporttransactie
ORIO	Ontwikkelingsrelevante infrastructuurontwikkeling
IDC	Industrial Development Corporation
SEF	Social Enterprise Fund

Samenvatting (NL)

Inleiding

Internationale en nationale beleidsactoren benadrukken in toenemende mate het belang van de private sector als een actor in mondiale ontwikkeling. Die erkenning beïnvloedt ook de ontwikkelingssamenwerking. Een grotere rol voor de private sector staat er hoog op de beleidsagenda. Dit blijkt onder meer uit de prominente positie van dit thema in internationale beleidsdiscussies over de effectiviteit van de hulp, de post-2015 ontwikkelingsagenda, en Financiering voor Duurzame Ontwikkeling. Verschillende multilaterale en bilaterale donoren, niet-gouvernementele organisaties en bedrijven vertalen dit ook door naar de praktijk, en experimenteren met strategieën, mechanismen en modaliteiten om de private sector meer bij ontwikkeling te betrekken. Tegelijk echter blijven een aantal vragen bij de legitimiteit, effectiviteit en efficiëntie van de private sector als een ontwikkelingsactor en van de instrumenten die ingezet worden onbeantwoord. Te midden van de veelheid aan strategieën en modaliteiten waarmee geëxperimenteerd wordt, en de vragen en kritieken die ze oproepen, is het moeilijk een duidelijk overzicht te houden, lessen te trekken en een onderbouwde positie in te nemen.

Onderzoeksvragen en methodologie

In het kader van het Vlaams Onderzoeksteunpunt Buitenlandse Zaken, Internationaal Ondernemen en Ontwikkelingssamenwerking buigt HIVA-KU Leuven zich over de vraag: Wat zijn de belangrijkste ontwikkelingen, modaliteiten en goede praktijken waar het de rol en de betrokkenheid van de private sector in het aanpakken van mondiale ontwikkelings-uitdagingen betreft?

De eerste fase van dit onderzoek, waarvan dit rapport de resultaten voorstelt, behandelt twee deelvragen: 1) Welke visies bestaan er op de rol van de private sector in ontwikkeling en ontwikkelingssamenwerking, en hoe evolueert dit doorheen de tijd? 2) Welke strategieën hanteren bilaterale donoren in hun interactie met de private sector? Welke algemene lessen zijn hieruit te trekken, in het bijzonder over het betrekken van private sector actoren in ontwikkeling op een manier die hun doorsnee bedrijfsactiviteit voorbij gaat?

Een combinatie van onderzoeksmethoden werd ingezet om een antwoord te bieden op deze vragen. Op basis van literatuurstudie brengt dit rapport een overzicht van de recente evoluties in het internationale debat over de rol van de private sector in ontwikkeling (hoofdstuk 1). Vervolgens introduceert het een typologie die toelaat de verschillende rollen te onderscheiden die de private sector kan spelen in ontwikkeling, en traceert het kort hoe dit aan bod komt in het beleid van andere donoren (hoofdstuk 2 en 3). Daarvoor werd data verzameld door middel van literatuurstudie, documentanalyse, verkennend terreinonderzoek in Zuid-Afrika en semigestructureerde expertinterviews. Gebruik makend van aanvullende data uit de ODA-database van de Vlaamse ontwikkelingssamenwerking, schetst het volgende hoofdstuk de rol van de private sector in het huidige Vlaamse ontwikkelingsbeleid en enkele vragen errond die van belang kunnen zijn bij het maken van toekomstige beleidskeuzes (hoofdstuk 4 en 5).

Rollen voor de private sector in ontwikkeling

Mini-lexicon

De private sector

bestaat uit die organisaties wiens kernmissie en strategie gericht is het realiseren van winstmakende activiteiten zoals de productie van goederen, het verlenen van diensten of/en commercialiseren.

Private sector in ontwikkeling

verwijst naar private sector activiteiten die een deel zijn van de doorsnee bedrijfsvoering en die een effect hebben op ontwikkeling, in zowel negatieve als positieve zin.

Private sectorontwikkeling

groepeert alle activiteiten uitgevoerd door overheden en ontwikkelings-organisaties met als doel een goed functionerende private sector te ontwikkelen (vooral in ontwikkelingslanden)

Private sector voor ontwikkeling

beslaat activiteiten die gericht zijn op het betrekken of engageren van private sector actoren op een manier die hun doorsnee bedrijfsvoering te buiten gaat.

Sinds enkele decennia trekt en duwt een combinatie van factoren de private sector op de ontwikkelingsagenda van multilaterale ontwikkelingsorganisaties, internationale beleidsfora en bilaterale donoren. Deze trend heeft veel gezichten, van een vernieuwd vertrouwen in economische groei als de sleutel voor armoedebestrijding, over voortgezette inspanningen voor private sectorontwikkeling, tot het werven van de private sector als een actieve ontwikkelingsactor. De veranderende visie op de rol van private sector in ontwikkeling vindt steeds meer zijn neerslag in het huidige ontwikkelingsdiscours, maar inzicht in hoe en hoeverre dit in de praktijk wordt gezet, wordt verhinderd door een tekort aan een accurate en vergelijkbare data. Bovendien gebruiken ontwikkelingsactoren een gamma aan concepten om hun beleid en praktijk vis-à-vis de private sector te beschrijven, en zijn bestaande typologieën onvoldoende om het brede spectrum aan strategieën en instrumenten te beslaan. Een gemeenschappelijk taal om het debat over de rol van de private sector in ontwikkeling te voeren, ontbreekt.

Dit rapport definieert enkele basisconcepten in dit debat. Op basis van verschillende bestaande typologieën, stellen we een aangepaste typologie van tien rollen voor die private sector actoren kunnen spelen in ontwikkelingsactiviteiten op het terrein (tabel 1):

- *Resource provider*: In een eerste set van twee rollen is de private sector een verstrekker van materiële middelen (financieel en in natura) of immateriële middelen (expertise, netwerk, data).
- *Beneficiary*: In de volgende set van vier rollen is de private sector telkens de begunstigde, hetzij van donorinspanningen om het bedrijfsklimaat in ontwikkelingslanden te verbeteren, hetzij van capaciteitsopbouw, informatieverstrekking of netwerkinitiatieven, hetzij van financiële steun of, tenslotte, van uitvoeringscontracten voor ontwikkelingsactiviteiten.
- *Target*: De private sector kan ook het doelwit zijn van ontwikkelingsactoren die trachten de bedrijfspraktijk minder schadelijk en meer ontwikkelingsgericht te maken. Overheden trachten dit bijvoorbeeld door middel van regulering en aankoopbeleid, NGOs door middel van publieke campagnes of beleidsbeïnvloeding, en andere private sector actoren bijvoorbeeld door certificeringsinitiatieven.
- *Reformer/Developer*: Private sector actoren kunnen ook hun bedrijfsvoering aanpassen en heruitvinden. *Hervormers* trachten hun huidige bedrijfspraktijken aan te passen en meer in

lijn te brengen met ontwikkelingsdoelen. *Ontwikkelaars*/uitvoerders gaan voorbij de bestaande manier van zaken doen, vinden nieuwe bedrijfsmodellen uit en/of trachten ze te implementeren.

- *Participant*: Tenslotte is de private sector ook een actieve deelnemer in heel wat beleidsprocessen, en betrokken bij stakeholderconsultaties, beleidsdialogen, en multi-stakeholder initiatieven, en dit op verschillende niveaus van het lokale tot het mondiale.

Het 'partnerschap' werd niet opgenomen als een aparte rol, omdat de term op erg veel verschillende manieren gebruikt wordt, wat voor verwarring zorgt, en omdat verschillende van de rollen in feite de vorm van een partnerschap kunnen aannemen.

Tabel 1: 10 rollen van de private sector in mondiale ontwikkeling en ontwikkelingssamenwerking

	Role of the private sector actor	Examples (not exhaustive)
1	Resource provider - finance Private sector invests financial resources.	<ul style="list-style-type: none"> • Corporate philanthropy, e.g. Bill & Melinda Gates Foundation, Philips Foundation, local companies sponsoring start-up competition. • Businesses investing in/managing investment funds with development objective.. • Impact investing
2	Resource provider - expertise and other strategic resources Private sector invests its expertise, network, data, research capacity... in activities with particular development relevance undertaken by or in partnership with other companies, government agencies, or NGOs.	<ul style="list-style-type: none"> • Established SMEs coach start-up SMEs • Established entrepreneurs/managers share expertise with peers • Bottom of the pyramid product development • Frugal innovation technologies • Allow consumer data or network to be used in development initiatives.
3	Beneficiary - enabling environment The private sector is the beneficiary of efforts to create an enabling business environment.	<ul style="list-style-type: none"> • Improving the business climate to stimulate business and investment. • Removing red tape obstructing SME development. • Infrastructure development needed for take-off of growth sectors.
4	Beneficiary - capacity development, information provision & knowledge sharing The private sector is the beneficiary of capacity development, information provision and/or knowledge sharing initiatives that aim to increase private capacity to contribute to developmental goals.	<ul style="list-style-type: none"> • Capacity development of Business Development Services (e.g. chambers of commerce). • Building business capacity on development challenges and possibilities to address them. • Donor agencies/embassies investing in information provision on business opportunities in developing countries.
5	Beneficiary - financial support The private sector is the beneficiary of financial support that aims to catalyze private sector activity or investment with particular development impact.	<ul style="list-style-type: none"> • Donor capitalization of Development Finance Institutions (DFIs). • DFIs supporting SMEs with activities in developing countries. • Challenge fund to support innovation or job creation. • Donors providing credit guarantees to catalyze high risk private investments with potential development benefits.
6	Beneficiary - of contracts for implementing aid projects & programmes The private sector is involved in the execution of development activities, in the role of	<ul style="list-style-type: none"> • Participation of consultancy groups & companies in development cooperation tenders (e.g. in social sectors such as education & health). • Tied aid

	subcontractor.	
7	Target – of regulation, lobby or advocacy The private sector is pushed by global governance institutions, governments or civil society organisations to change business practices.	<ul style="list-style-type: none"> Public campaign by international NGO condemning business practices of a multinational Government using regulation to foster responsible fiscal business practices
8	Reformer – adapting existing business models through Corporate Social Responsibility, Corporate Social Accountability or Stakeholder Value Maximization The private sector adapts its own business model to increase its positive development impact and sustainability.	<ul style="list-style-type: none"> Make product value chain more sustainable & inclusive. Offering product transparency. Invest in third party certification of social & environmental commitments.
9	Developer/implementer – implementing new, social, inclusive or solidarity economy initiatives and business models The private sector develops and implements a new (inclusive, social, solidary) business model or initiative with particular development relevance.	<ul style="list-style-type: none"> Social entrepreneurs developing a profitable sustainable business model that prioritizes both social as well as economic added value. Businesses aiming to include vulnerable groups in their supply chain.
10	Participant – in policy dialogue & multi-stakeholder initiatives on development-related issues The private sector takes part in development related policy dialogue or multi-stakeholder initiatives that aim to influence business and development policy and practice.	<ul style="list-style-type: none"> Participation in policy dialogue on post-2015 Sustainable Development Goals framework Join forces with other development actors (e.g. NGO) to lobby for policy reforms regarding social or ecological issues. Participation in tripartite negotiations & multi-stakeholder initiatives on decent work Extractive Industries Transparency Initiative (EITI) United Nations Global Compact

Donoren, ontwikkelingsbeleid en private sector

In september 2010 brachten Oostenrijk, Denemarken, Finland, Duitsland, Japan, Nederland, het Verenigd Koninkrijk, Zweden en Zwitserland een ‘Verklaring van Bilaterale Donoren ter Steun van Private Sector Partnerschappen voor Ontwikkeling’¹ uit. Dit is één illustratie van hoe het beleid van bilaterale donoren meer bij de private sector tracht aan te leunen, een trend die vooral zichtbaar is sinds 2010. Ook de posities van bilaterale donoren in internationale beleidsdiscussies, zoals deze rond de post-2015 ontwikkelingsagenda, en beleidsherzieningen door individuele donoren als Canada, Verenigd Koninkrijk of Nederland illustreren dit. Tegelijk valt ook op dat donoren sterk verschillen in de mate waarin en de manier waarop ze private sector een plaats geven in hun ontwikkelingsbeleid.

Deze studie bracht het beleid van het Australische, Nederlandse en Zweedse beleid ten aanzien van private sector in ontwikkeling in kaart, en kwam daarbij tot de vaststelling dat een informatiekloof een goede inzage in de aanpak van de verschillende bilaterale donoren sterk bemoeilijkt. Daardoor blijft het een uitdaging om een zicht te krijgen op de uitvoering van dit beleid op het terrein.

¹ De ondertekenaars erkenden daarin de grote impact die private sector kan hebben op ontwikkeling en engageerden zich om samen te werken met private sector actoren bij het nastreven van de Millennium Ontwikkelingsdoelen (UN Private Sector Forum Organizing Committee, 2010, pp. 33–34).

Australië...

- Deed sterke beleidsverklaringen over de plaats van nationaal belang en de rol van private sector in ontwikkelingssamenwerking.
- Heeft een expliciet strategie voor private sectorontwikkeling en identificeerde aanknopingspunten voor private sector binnen andere domeinen van hun programma voor duurzame groei. Er is geen apart beleid voor het engageren van private sector binnen ontwikkeling(samenwerking).
- Beschouwt het promoten van private sector in ontwikkelingslanden als een hefboom om individuele inkomens en belastingopbrengsten te verhogen, en zo bij te dragen aan ontwikkeling.
- Beschouwt het inzetten van bedrijven voor de uitvoering van hun ontwikkelingsprogramma als deel van hun inspanningen om de private sector bij ontwikkeling te betrekken.

Nederland...

- Deed sterke beleidsverklaringen en – hervormingen m.b.t. de plaats van nationaal en commerciële belangen en de rol van de private sector binnen ontwikkelingssamenwerking.
- Heeft een expliciete strategie voor private sector ontwikkeling en heeft het betrekken van de private sector geïntegreerd in het algemeen ontwikkelingsbeleid.
- Wil evolueren van hulp naar handel en werkt expliciet aan de afbouw van hulp.
- Heeft verschillende instrumenten ter ondersteuning van de Nederlandse private sector in ontwikkelingslanden, alsook instrumenten die toegankelijk zijn voor alle private actoren.
- Verwijst veelvuldig naar bestaande internationale standaarden en normen, maar heeft geen eigen systeem om de staat van dienst van de bedrijven betrokken in ontwikkelingssamenwerking na te gaan.

Zweden...

- Heeft beleidsdocumenten over zowel private sector ontwikkeling als over het betrekken van de private sector in ontwikkelingssamenwerking.
- Vermeldt in haar rationale expliciet de ecologische, economische en sociale dimensie van duurzame ontwikkeling.
- Beperkt haar samenwerking met de private sector tot 'gelijkgestemde' actoren, en bepaalde specifieke criteria en modaliteiten voor de selectie van de private sector actoren waarmee men in het kader van ontwikkelingssamenwerking interageert.
- Bepaalde dat haar steun aan en samenwerking met de private sector steeds ongebonden, open voor alle actoren en additioneel zal zijn.
- Sprak zich uit tegen de privatisering van sociale diensten die in feite een recht zijn (vb. onderwijs).
- Verplicht Swedfund, de ontwikkelingsbank, om vooral te investeren in lage-inkomenslanden.

Een tweede vaststelling, die de conclusie van bestaande beleidsanalyses bevestigt, is dat de mate waarin donoren een expliciet, uitgewerkte en publiekelijk uitgesproken beleid over de rol van de private sector hebben, sterk varieert. In sommige gevallen bestaan slechts enkele richtinggevende beleidslijnen, in andere gevallen gedetailleerde richtlijnen voor het uitzetten, monitoren en evalueren van programma's voor of met private sector. Andere beleidsanalyses komen tot de vaststelling dat donoren met sterk uitgewerkte beleidskaders eerder de uitzondering zijn (BCLC & Corporate Citizenship, 2009; Davies, 2011; Kindornay & Reilly-King, 2013).

Er heerst een sterke consensus onder donoren dat groei een kernelement is in ontwikkeling en dat de private sector daarin een centrale rol speelt. De private sector krijgt wijde erkenning voor haar potentieel als katalysator van ontwikkeling. Toch verschillen de donoren sterk in hoe ze het verband tussen groei en private sector enerzijds en armoedebestrijding en ontwikkeling anderzijds verder invullen. Volgens bestaande beleidsanalyses veronderstellen veel donoren in hun discours een lineair en causaal verband (vb. in het geval van Nederland, Verenigd Koninkrijk), terwijl enkele donoren het belang van bijkomende factoren benadrukken, zoals jobcreatie en het genereren van voldoende publieke overheidsmiddelen (via onder meer eerlijke belastingen) als voorwaarden voor groei die leidt tot armoedebestrijding (vb. Australia, US, EU). Expliciete referenties naar het belang van de groeipatronen in economische groei, herverdeling of waardig werk komen weinig voor.

Uiteraard beslaat 'de private sector' een uiterst gevarieerde groep van actoren. Schaal (micro, klein, middelgroot, groot, multinationaal), gevestigd in partnerland of donorland, eigenaarschap en managementstructuur (bedrijf, coöperatieve, partnerschap), maar ook de staat van dienst met betrekking tot milieu, waardig werk, mensenrechten, corruptie, en belastingbeleid: het zijn allemaal criteria die private actoren van elkaar onderscheiden. Donoren kunnen verschillen in hun voorkeur voor het type private actor en in de manier waarop ze die voorkeur operationaliseren. Over het algemeen zien donoren een rol voor zowel de eigen private sector als voor de private sector in ontwikkelingslanden, maar enkele donoren stellen de promotie van hun eigen commerciële belangen centraal. Als ontwikkelingsactoren bepaalde criteria stipuleren om te bepalen welke private actoren in aanmerking komen voor samenwerking, gaat het vaak om technische vereisten met betrekking tot de financiële levensvatbaarheid. Slechts enkele donoren hebben expliciete en goed uitgewerkte vereisten met betrekking tot de toegepaste sociale, arbeids- of milieunormen en de rapportering hiervan (Di Bella et al., 2013a). Tenslotte verschillen donoren ook met betrekking tot de aandacht die ze hebben voor additionaliteit. Breed gesteld betekent additionaliteit dat het geïnvesteerde publieke geld resulteert in een impact op ontwikkeling die anders niet was gebeurd (Di Bella et al., 2013a; Kindornay & Reilly-King, 2013). Donoren verstrekken doorgaans weinig informatie over hoe ze additionaliteit begrijpen², beoordelen en afdwingen.

Bestaande beleidsanalyses suggereren dat bilaterale donoren de private sector vooral zien in een rol van begunstigde van financiële ondersteuning. Tegelijk toont het gamma aan private sector instrumenten waarover Zweden, Nederland en Australië beschikken aan dat donoren de private sector in veel verschillende rollen (zie tabel) benaderen, en vaak verschillende rollen combineren in hetzelfde instrument of programma. Zo zijn verschillende instrumenten waarbij de private sector de begunstigde is van steun, tegelijk het katalyseren van private middelen voor ontwikkeling.

² Additionaliteit kan op verschillende manieren gedefinieerd worden en heeft verschillende dimensies. Di Bella et al (2013, p.31) merken op dat onderzoekers het onderscheid maken tussen financiële additionaliteit en ontwikkelingsadditionaliteit. Financiële additionaliteit verwijst naar een investering die de private sector actor niet gedaan zou hebben zonder de steun van de donor (Heinrich 2013, 14). Ontwikkelingsadditionaliteit betekent dat de gerealiseerde uitkomsten op het vlak van ontwikkeling niet bereikt hadden kunnen worden zonder de samenwerking tussen de actoren. Zo kan de donorsteun de reikwijdte, schaal of snelheid van bepaalde private sector activiteiten naar een hoger niveau tillen, of kan de samenwerking met private actoren tot activiteiten en uitkomsten leiden die anders onmogelijk waren geweest (Heinrich 2013, 14; zie ook Kindornay and Reilly-King 2013, 33).

Private sector in het Vlaamse ontwikkelingsbeleid

Tot dusver heeft Vlaanderen geen beleidsdocumenten die specifiek handelen over private sectorontwikkeling of het betrekken van private sector in ontwikkeling. Tegelijk staat private sectorontwikkeling en duurzaam ondernemerschap al ruim een decennium op de Vlaamse ontwikkelingsagenda (Bourgeois, 2004, 2014; Peeters, 2009). Alle verschillende rollen – zoals uitgewerkt in de typologie- die private sector actoren kunnen spelen, komen op zijn minst impliciet en soms expliciet aan bod in één van de opeenvolgende beleidsdocumenten betreffende ontwikkelingssamenwerking (tussen 2004 en 2014). Ook de opkomende agenda aangaande het mobiliseren van private middelen krijgt erkenning. Uit de recente beleidsverklaringen blijkt dat Vlaanderen zeer bewust is van de oriëntering richting private sector in het multilaterale en bilaterale ontwikkelingsbeleid, en bekijkt hoe het zich hier tegenover dient te verhouden.

Verkenndend terreinonderzoek in Zuid-Afrika, analyse van beleidsdocumenten, data van de Vlaamse ODA-rapportering en bijkomende dataverzameling bij de Vlaamse vertegenwoordiging in Zuid-Afrika, Malawi en Mozambique tonen dat in de huidige ontwikkelingspraktijk, in de relatie tot private sector, private sectorontwikkeling centraal staat. Toch zijn er ook voorbeelden van het betrekken van private sector voor ontwikkeling, vooral in Zuid-Afrika. Deze demonstreren dat er al duidelijke aanknopingspunten zijn tussen het huidige Vlaamse ontwikkelingsbeleid en het betrekken van de private sector, maar dat tegelijk een beleidskader voor de interactie met de private sector ontbreekt. Of het betrekken van de private sector in ontwikkeling op de Vlaamse ontwikkelingsagenda staat, en zo ja, welk type private sector, door middel van welk soort interactie, onder welke voorwaarden en met welke garantie voor de ontwikkelingsimpact, blijft momenteel open.

Vervolgonderzoek

In de tweede fase gaat het onderzoek in op de vraag: Welke lessen biedt de casus Zuid-Afrika over hoe donorstrategieën voor het betrekken van private sector voor ontwikkeling aangepast kunnen worden aan een specifieke context, een specifiek type donor en de coherentie-agenda? Drie gevalstudies van specifieke instrumenten of beleidskeuzes moeten informatie opleveren over welke aanpak werkt voor wie, en wat dit voor een kleine donor kan betekenen. Op die manier wil de studie gebruik maken van de ervaringen op het terrein, zowel binnen de Vlaamse ontwikkelingssamenwerking als daarbuiten, om inzichten te verzamelen die verdere beleidsvorming kunnen voeden. Tegelijk zullen de onderzoeksresultaten van de eerste en de tweede fase ter beschikking worden gesteld van een traject van belanghebbendenmanagement, waarbij Departement Internationaal Vlaanderen de visies en verwachtingen van verschillende Vlaamse belanghebbenden ten aanzien van dit beleid zal samenbrengen.

Key messages

Chapter 1 – The upgrade of private sector's role in development cooperation

A combination of factors pushes and pulls private sector onto the development agenda. The shifting views on the role of private sector in development are visible in current development discourse, but insight in the scale and the modalities of the implementation on the ground remains limited.

Chapter 2 – Roles of the private sector in development cooperation

Development actors use a plethora of concepts to describe their policies and practices with regard to the role of the private sector in development. Existing typologies fall short in capturing the broad spectrum of roles and instruments on the ground. A new typology that differentiates between 10 roles private sector actors play at the operational level is presented.

Chapter 3 – Bird's eye view on current private sector donor policies

The extent to which donors have explicit, detailed and publicly articulated policies on the role of the private sector varies, as do the underlying rationale or stated eligibility and additionality requirements. Compared to other development actors, private sector actors predominantly have the role of beneficiary of financial support in their relations with bilateral donors.

Chapter 4 – Flanders' private sector related development activities

A Flemish policy framework on the role of private sector in development cooperation could give guidance on who to work with, how and to what aim, as well as on how to insure maximal development impact. Flanders' current development practice already holds important clues and experiences that should be taken into account.

Introduction

The private sector is assigned growing importance as an actor in development. This is an uncontested observation yet a contested trend. Development actors - including the private sector itself - are experimenting with building bridges between business and global development. At the same time a debate on how to ensure the compatibility of a business rationale with development objectives is still ongoing. This straddle also marks the current policy and practice of development cooperation. Multilateral and bilateral development agencies, non-governmental development organisations (NGDOs), and corporations are busy cutting out an active role for business in development cooperation, while at the same time questions on the legitimacy, efficiency and effectiveness of the private sector as a development actor remain unsettled. In the plethora of existing and emerging strategies and modalities that involve the private sector, and the questions and critiques surrounding these policies and practices, one easily fails to see the wood for the trees.

Research scope

With due reason the Flemish policy research centre's fourth pillar on development cooperation puts forward as a central research question: **What are the most important developments, modalities and good practices regarding the role and involvement of the private sector in addressing global development problems?**

The first phase of the research focused on 2 sub-questions: 1) What views exist on the role of private sector in development and development cooperation, and how has this evolved over time? 2) What main strategies are bilateral donors deploying in their interaction with the private sector? What general lessons can be learned so far, especially where private sector engages in 'development' in a way that goes beyond its mainstream business activity?

Methodology & outline

This report first presents a contextualized overview of the recent developments in the international debate on the role of the private sector in development, based on literature review (chapter 1). It then introduces an improved typology to better dissect and map the different roles private sector could play in development (chapter 2) and investigates how this is already visible in the development policy of different donors (chapter 3). These sections bring together insights collected through literature review, document analysis, exploratory field work in South Africa and semi-structured expert interviews (see annex 3). Complemented with additional information drawn from the official development assistance (ODA) database of the Flemish development cooperation, the next chapter brings a tentative mapping of the role of private sector in current Flemish development cooperation and identifies some key questions for future policy development (chapter 4 and 5). Although in line with the focus of this research, one important lacuna is that the data collection did not target private sector representatives. The research takes the perspective of development agencies, although it also considers the role of the private sector in development beyond any facilitation or interaction with official development cooperation.

1 | Private sector's role in development upgraded

1.1 Business in the development spotlight

Current official development policies at all levels show a clear tendency to emphasize the role of the private sector as a key actor in development and, increasingly so, in development cooperation. The private sector is since long seen as an important engine for economic growth and consequently as an object of the private sector development agenda. Current views, however, transcend this and consider private sector actors more and more as powerful development agents that could and should be directly involved in addressing current development challenges (Byiers & Rosengren, 2012, p. 9). Although already clearly visible at earlier occasions³, this trend was confirmed and endorsed at the 2011 High Level Forum on Aid Effectiveness (HLEF) in Busan. Aiming to “enlarge the tent”, the participants⁴ recognized the private sector as a key partner on equal footing with all other development actors and decided to “*enable the participation of the private sector in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction*” (“Busan Partnership for Effective Development Co-operation,” 2011, p. 1). It will not stop at that. The post-2015 development agenda in the making seems to be seized as an historic opportunity to further mobilize companies to advance global priorities (United Nations Global Compact, 2013, p. 4). As the International Trade Union Confederation (ITUC) stated it: “*As the different elements of the post-2015 development agenda gradually emerge, there is at least one element that almost seems pre-ordained: the private sector will have a feature role whether it likes it or not*” (ITUC, 2014).

1.2 Something old and something new

Observers point out that the ‘private turn’ in development cooperation may not be as novel as the buzz around it seems to insinuate. In many ways it is in line with dominant development theory, and a continuation of the (cyclical) negotiation of the triangular relationship between state, private sector and citizens.

In modern development theory (roughly since the 1950s), the dominant interpretation of development has always revolved around universal economic well-being and economic growth. This can be considered as a constant. What has changed over time, is the role of the state vis-à-vis the market and non-state actors (Berthoud, 2010, pp. 74–78; Nederveen Pieterse, 2010, p. 6). Until the end of the 1970s the regulating role of the state was widely recognized, with the state promoting the extension of the market but also redistributing the results. Addressing structural inequalities between developing and developed countries and meeting basic needs set the development agenda.

The 1980s saw a remarkable ideological shift. More than just a tool for the allocation of goods and services, the market was increasingly considered as the sole regulator of society, with no need for the state to intervene (Berthoud, 2010, p. 74). Mirroring this ideological shift, development cooperation moved away from meeting basic needs towards macro-economic reforms, less state

³ E.g. G20 Seoul Summit in 2010, UN Millennium Summit in 2001.

⁴ The participants of the High Level Forum on Aid Effectiveness in Busan, 2011, included participating heads of state, representatives of developing and developed countries, heads of multilateral and bilateral institutions, representatives of public, civil society, private, parliamentary, local and regional organisations.

and a freer market. This was also the beginning of what has been described as ‘the golden age’ for NGOs that, as non-state actors, were considered a key actor in development cooperation (Agg, 2006). The underlying idea was that they would be less bureaucratic and more efficient than the state in providing safety nets for those who would be affected by the macro-economic reforms and corresponding austerity measures.

However, the economic reforms of the 1980s did not deliver on their promises. Consequently, some adjustments to the development recipe⁵ were made during the 1990s while simultaneously critical thinking about the limited conception of economic development gained traction. Also, the ongoing practice of tied aid, which tended to primarily serve donor country interests, was questioned, together with the overall development cooperation agenda at the time. As a result the need for state regulation of private economic activity was partly reinstated, paving the way for a mixed-economy model with assigned roles for and partnerships between public and private sectors. A broader interpretation of development, from economic to human development was finally formalized in the 2000 Millennium Declaration (Estrup, 2009; Kindornay & Reilly-King, 2013) and a series of scandals combined with the finding that tied aid undermined aid effectiveness culminated in the 2001 OECD-DAC recommendation to work towards untying aid (OECD, 2014).

At the start of the new millennium the focus was again on poverty reduction, addressing inequalities (including in international trade relations) and improving prospects for the poorest and most vulnerable. Not just the goals but also development cooperation as the instrument had been revised, in order to become more efficient and accountable. Against the backdrop of slow progress towards Millennium Development Goals, international discussions on aid effectiveness moved from improving state-to-state development cooperation toward involving other non-state actors in the equation, beginning with the civil society organisations (Accra) and recently moving on to the private sector (Busan). The Busan Partnership also demonstrates how today economic growth again moves to the explicit centre of development discourse, although now with the additions of ‘sustainable’ and ‘inclusive’: *“Aid is only part of the solution to development. It is now time to broaden our focus and attention from aid effectiveness to the challenges of effective development. This calls for a new vision for development. Within this vision: a) Development is driven by strong, sustainable and inclusive growth (...)”* (“Busan Partnership for Effective Development Co-operation,” 2011, para. 28).

Against this historical backdrop, some observers point out that despite periods with more attention for the role of the state, basic needs, redistribution, social service provision or good governance, the undercurrent of international development approaches have continuously favoured the market, with economic growth, trade and financial liberalization presented as the main pathways to development (Kindornay & Reilly-King, 2013, p. 8). In this view, what is happening today is seen as yet another round of less state and more market, or yet another push for privatization and the financialisation of development (Eurodad & CRBM, 2011, p. 5).

However, some observers also point out that the current ‘private turn’ might be more than just the pendulum swerving once more. One feature of the current shift that is labelled as ‘new’ is the unprecedented and increasing share of total foreign investments that the financial sector in the South is attracting. Secondly, increasingly sophisticated financial instruments and investment funds are being used to channel private finance in the South. Thirdly, development agencies are shaping up new roles for themselves as promoters of this private turn in development finance (Eurodad & CRBM, 2011, p. 7). A fourth ‘new’ feature, according to some observers, is the underlying multi-

⁵ IMF and World Bank propose a second generation of reforms, with extra attention to the institutional context of development. Towards the end of the decade, the World Bank also emphasizes the importance of a good macro-economic policy and well-developed institutions as conditions for successful development assistance (Develtere, 2012, p. 78).

actor approach (sometimes considered as a true breach in development thinking). In the face of complex, cross-border, cross-issue problems, the importance of cooperation between societal sectors has gained recognition. The awareness has grown that not only governments but all societal sectors will need to play their part in addressing development challenges. This multi-actor approach to confronting 21st century development challenges has been accompanied by the redefinition of the role and nature of business, and is mirrored in the increased attention to the active role of firms in development (van Tulder & Fortanier, 2009, p. 211). It may not be about state *or* business *or* civil society, but about state *and* business *and* civil society. Attributing enterprises an active role, and therefor responsibility, as key actors in development, is key in the current 'private turn'.

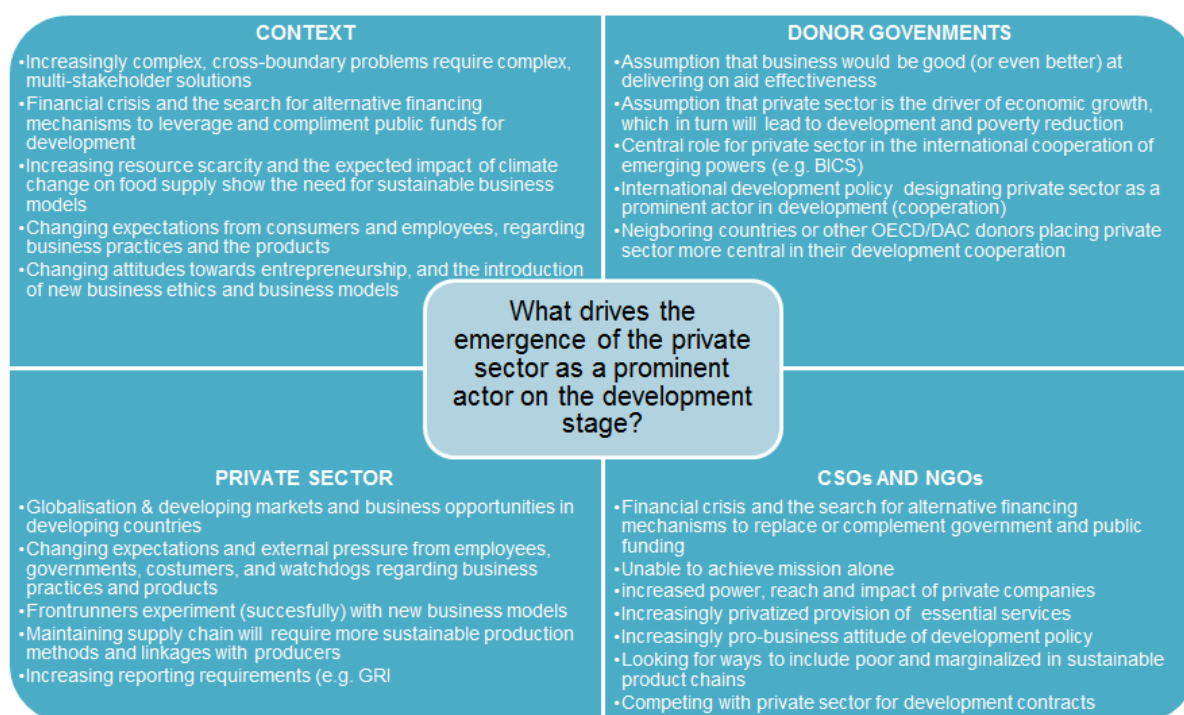
1.3 Drivers

A new trend or not, fact is that a diverse set of push- and pull factors (see figure 1.1) is driving the private sector onto the international and national development agendas. Critical reflections on the effectiveness of development cooperation so far, and the economic crisis with subsequent austerity measures have brought development cooperation under increased scrutiny in many countries⁶. ODA budget are under pressure, with a first in fourteen years decrease in 2011. Donor agencies are increasingly emphasizing value-for-money, and policy makers tend to assume that business would be good (or even better than traditional development actors) at delivering on aid effectiveness. They are also on the look-out for additional finance to complement dwelling public resources. In the wake of austerity measures, NGOs too see themselves confronted with decreasing government funding in many countries, and therefore feel the need to diversify their incomes (to become less government depended). NGOs are trying to tap into the growing number of corporate social responsibility initiatives. Many also want to reposition themselves vis-à-vis a private sector that in times of globalization and privatisation of public services is more powerful than ever. Finally, with global development challenges considered as increasingly complex and requiring multi-actor solutions, global governance institutions too recognize the private sector as an undeniable actor in development, and increasingly approach it as such. Donors, NGOs, global institutions...the traditional development actors are actively pulling private sector onto the development stage.

Simultaneously, resource scarcity and the expected impact of climate change on global food supply chains have acted as a strong incentive for more investment in sustainable business models. Also, new attitudes towards entrepreneurship and its role in society are emerging, visible in the increasing attention for social entrepreneurship, inclusive business, corporate social responsibility (CSR) and accountability (CSA), and hybrid business models. Watchdog NGOs, trade unions and media have raised the external pressure to improve the social and ecological business practices. In the meanwhile, the private sector of several emerging economies has already been attributed a central role in their countries' international cooperation (Huyse & Vaes, 2012). These forces, often external to the traditional development scene, push the private sector towards a bigger role in development.

⁶ This goes for all development cooperation, whether bilateral cooperation managed by donor agencies, indirect cooperation through development NGOs or CSOs, or multilateral cooperation. All traditional development actors have been under increased scrutiny and their impact and efficiency have been questioned.

Figure 1.1 Drivers behind the current private turn



Source Based on (Heap, 1996, 2000; Huyse & Vaes, 2012; Tennyson & Harrison, 2008; Vaes & Van Ongevalle, Jan, 2013)

1.4 A multi-level thing

Considering the push- and pull factors described above, it is not surprising that the private sector's increased prominence is not only visible in the discourse at large international fora, such as the Busan High Level Forum, but also increasingly finds its way in the policies and strategies of bilateral donors. Quite some bilateral donors, but also the EU, show a clear gravitation towards the corporate sector, although this is not always translated in budget allocation and actual implementation as yet.

The European Commission recently presented its strategic framework for strengthening the role of the private sector in achieving inclusive and sustainable growth, confirming its continued engagement in the field of private sector development as well its ambition to find new ways to harness the potential of the private sector and to stimulate business engagement in development (European Commission, 2014; Piebalgs, 2014). More concrete, next to private sector development, the Commission puts forward private sector mainstreaming as an additional approach, aiming to incorporate private sector development objectives in existing support strategies for sectors where the private sector is a main actor. A third approach identified is private sector engagement, meaning the EU will try to act as a catalyst to get business engaged in development as part of their core business (Hamann, 2014; Piebalgs, 2014). Specific principles, as well as criteria for direct support of the private sector are also being developed. This clear policy effort comes at a time when the EU's practice of blending public development finance with private finance has been in the lift since 2007 and especially since 2012 (Romero, 2013, p. 7). The 2014 Commission communication also selects blending together with policy dialogue and using the EU's political weight, as the main tools for the EU's private sector strategy.

Although donors seem to agree more or less that the private sector has a key role to play in development, they very much differ in their actual approaches toward the private sector. Many bilateral donors don't have a well-developed strategy regarding private sector. Due to limited comparative analysis of private sector strategies and even less quantitative information on ODA spent on private sector strategies, it is hard to get a clear overview of how this trend is being translated in development practice.

On the bilateral level, The Netherlands, UK, Sweden, Finland, Denmark, Canada, Germany and Australia are often considered as protagonists. These donors have formulated explicit private sector strategies, explaining their approach toward private sector development and/or private sector engagement (Kindornay & Reilly-King, 2013). The United States, Japan and Norway also feature on some shortlists of bilateral donors on a private sector course. What defines their respective private sector strategies remains hard to tell. Despite the clear trend in policy and practice, little comparative analysis has happened. Kindornay and Reilly-King (2013) mapped and assessed the strategies on private sector and economic growth of 23 bilateral donors. Interestingly, the reality on the ground turns out to be very diverse: *"whereas donors may more or less agree that economic growth is integral to development and that the private sector has a key role to play in growth, the similarities end there"* (Kindornay & Reilly-King, 2013, p. 13).

Although less proactively subscribing to this trend, NGOs too are increasingly (reflecting on) involving business in their development activities, as described in earlier sections. Some of the drivers pushing NGOs to follow suit are (Heap 2000): 1) the increased power and impact of private companies worldwide, making them an undeniable force and therefore stakeholder in development activities; 2) the increasingly privatized provision of essential services, and the important role private companies play in the quality, cost and reach of these services, 3) the increasingly pro-business attitude of development policy, influencing the criteria for funding and evaluation of government funded NGOs, 4) the need for NGOs to replace or complement government and public funding (in particular in the light of the financial crisis and the reductions in ODA-budgets), 5) the changing views and attitudes on the role of business in society, in the public opinion, the NGO community and the business community, increasingly resulting in experiments and innovative initiatives to rethink business and business models.

1.5 Facts and figures

According to the UN, business contributions to the MDGs are at an all-time high ("UN Post-2015 Development Agenda," 2014). According to their own reporting on 2011 budget allocation, Norway spent about 14% of its budget on economic development and trade, Canada disbursed about 23% of its aid on its growth strategy and Sweden gave almost half of its aid budget to economic development (in broad terms that covers a diverse set of strategies, directly or indirectly related to the private sector). OECD/DAC figures indicate that ODA channelled through PPPs rose from 234 \$ million in 2007 to 903\$ million in 2010. Eurodad estimated that in 2010 about 7,27 billion euro of public finance was invested in private companies operating in the world's poorest countries by the International Finance Cooperation (IFC), the European Investment Bank and six European bilaterals (Kindornay & Reilly-King, 2013, p. 19). These UN and donor figures do indicate that the private turn does not only exist on paper. However, a real insight into the scale and scope of the private turn is lacking.

Only a few donors provide public information on their budget allocations to private sector and/or growth strategies. Even if more donors would provide such information, the current differences in how they define and label their private sector related development cooperation makes it hard to the compare data, as the first paragraph of this section demonstrates. On top of that, private sector support may be channelled through other than the traditional development channels, or may currently be implemented on a learning by doing base, which may mean even donor headquarters lack a detailed overview of the interactions with the private sector. The picture gets even more complicated when one wants to take into consideration the private sector's direct contributions to development, beyond and outside any official development cooperation framework.

1.6 In three sentences

Over the past decade a combination of factors is pushing and pulling private sector onto the development agendas of multilateral development organisations, international development policy arenas and bilateral donors. This trend has several faces, from a renewed confidence in economic growth as an instrument for poverty reduction, over continued efforts for private sector development, to making the private sector an active development actor. The shifting views on the role of private sector in development are visible in current development discourse, but the lack of accurate and comparable data impedes a good understanding of the scale and the modalities of the implementation on the ground.

Private sector development, business enabling environment, investment friendly environment, value chain development, local economic development, development corridor approach, business development services (BDS), business support organisations, foreign direct investment (FDI), markets for the poor (M4P), pro-poor economic growth, inclusive growth, conscious capitalism, social & solidarity economy (SSE), social entrepreneurship, inclusive business model, bottom of the pyramid (BoP), corporate social responsibility (CSR), corporate social accountability, code of conduct, participatory guaranty systems, third party certification, private sector engagement (PSE) transaction charge holidays, strategy, public private partnerships (PPP), social impact bonds, development impact bonds, loan guarantee mechanism, start-up incubator, challenge funds, matching funds, innovation funds, currency swap, private equity funds, anchor funds, development finance institutions (DFI), blending, It will be clear by now that digging into the topic 'the role of the private sector in development' means confronting an almost endless parade of - often overlapping - terms and concepts.

2 | The role of private sector in development: mapping a moving goal post

Mini-lexicon

The private sector

- consists of organisations that have a core strategy and mission to engage in profit-seeking activities through the production of goods, provisions of services and/or commercialization.

Private sector in development

- refers to private sector activities that are part of regular core business operations and that affect development outcomes, both positively and negatively.

Private sector development

- groups all activities carried out by governments and development organisations with the aim of developing a vibrant private sector (mostly in developing countries).

Private sector for development

- covers activities aimed at involving or engaging the private sector in development in ways that go beyond their regular business practices. This report places **private sector engagement, private sector involvement and private sector partnerships** within this categorie.

2.1 Biting the conceptual bullet

Digging deeper into what ‘the role of the private sector in development’ actual comes down to in development policy and practice means confronting an almost endless parade of - often overlapping - terms and concepts. Some have been in use for decades, others are ‘new’. Several recent publications on business and development have noticed this difficulty and proposed conceptual definitions (Di Bella, Grant, Kindornay, & Tissot, 2013b) and typologies to bring some structure to the multitude of concepts and terms. Consequently, there seem to be as many definitions and typologies as there are publications. The lack of common language is an important obstacle for a good understanding as well as a good debate on this topic. Defining (how) the key concepts (are) used in this report is therefore a crucial step.

2.1.1 The private sector

Different actors are on stage in this recent twist in development cooperation, and the ‘private sector’ is playing a lead role. Some interpretations stretch the term ‘private sector’ quite far, encompassing all non-state actors including private foundations and civil society organisations. This report uses a narrower definition. Private sector refers to organisations that have a core strategy and mission to engage in profit-seeking activities through the production of goods, provisions of services and/or commercialization. Keeping in mind that different for-profit organisations may opt for different balances between financial profits and social benefits, this includes financial institutions, micro, small and medium-sized enterprises, farmers, cooperatives, large corporations, and social enterprises operating in both the formal and informal economy. With the private sector recognized as an active and crucial ‘development actor’ it joins the ranks of organisations that have traditionally played a role in development cooperation, such as multilateral institutions, donor agencies, development NGOs, trade unions and other CSOs.

2.1.2 Private sector development

'Private sector development (PSD)' generally groups all activities carried out by governments and development organisations with the aim of developing a vibrant private sector. In particular since the 1980s, when the multilaterals' development thinking moved away from the central role of the state and put forward a private economic development model, bilateral donors have implemented programs aimed at private sector development (Schulpen & Gibbon, 2002, p. 1). Consequently, PSD covers a diverse and evolving set of approaches, such as attracting foreign direct investments (FDI), business environment reforms, strengthening business development services (BDS), developing business linkages and value chains, improving access to finance, improving innovation policy, etc. According to the OECD, the logic behind PSD is simple: "poverty reduction is the main objective of development cooperation and a target of development policies: Economic growth is essential for development, and growth is best achieved through the private sector, which in turn needs to be adequately promoted." (OECD, 2007, p. 21).

2.1.3 Private sector in development

'Private sector in development' generally refers to private sector activities that are part of regular core business operations and that affect development outcomes and economic growth through positive impact such as job creation, provision of goods and services and taxation, and negative impact such as environmental degradation and poor labour practices (Di Bella et al., 2013b). It is an important term to differentiate between regular business activities and their positive and negative development impact on the one hand and business activities with an explicit development dimension on the other hand (covered by PS4D).

2.1.4 Private sector for development (PS4D)

'Private sector for development' covers initiatives or activities that involve or engage the private sector in development in ways that go beyond their regular business practices. It is about finding ways to mobilize businesses' resources – e.g. their expertise, networks, data, and financial, technical and innovation capacity – in the pursuit of development goals.

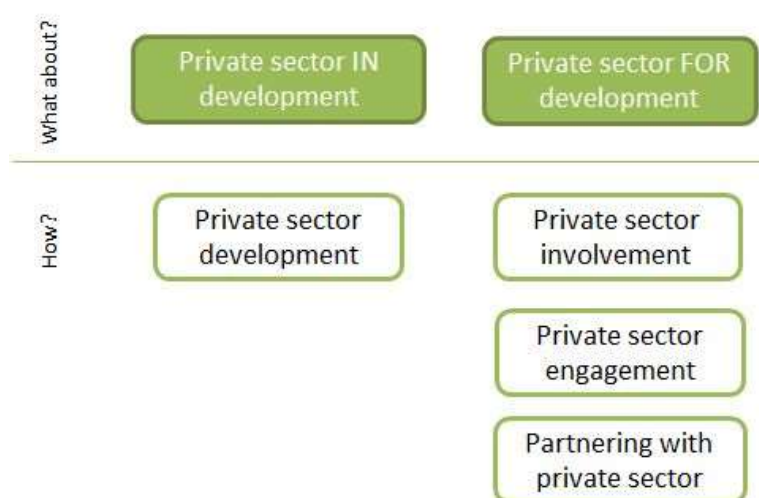
Byiers and Rosengren (2012) use the distinction between the established PSD agenda (see 2.1.2) and the more recent PS4D agenda to highlight the different currents in the debate on the role of business in development cooperation. In their interpretation, the PS4D agenda⁷ is about donors working with private firms and finance (most often from developed or emerging country) for development purposes. This may include public-private partnerships, facilitating cross-sector partnerships, using the private sector as implementer of aid programmes, mobilising private sector finance, expertise and management capacity for development purposes, corporate social responsibility, social entrepreneurship, etc. However, the distinction is not always clear-cut, with PS4D sometimes having PSD goals (Byiers & Rosengren, 2012). InfoDev, a multi-donor program in the World Bank Group can illustrate the fine line between the two agendas. It aims to support existing growth-oriented entrepreneurs in the developing world. It combines working on an

⁷ Within the PS4D agenda, Byiers (2012) makes an additional subdivision, between 'private investment' and 'private finance' for development. According to Byiers, the first is about channelling public money to private projects with a development component, assuming that the donor contribution to the private project will help to overcome existing private sector constraints and facilitate the project. The second is about using public money to leverage private funds for public projects, for example in the area of infrastructure. Again the donor contribution helps offsetting risks, liberating private funds but also mobilizing other private sector resources such as experience and knowhow.

enabling environment at national and international level with collaboration with local entrepreneurs, on a budget partly funded by partners such as the Nokia Corporation and Microsoft.

Somewhat confusing is that Byiers & Rosengren place both PSD and PS4D under one denominator, namely ‘private sector engagement’. In many other publications the terms ‘private sector engagement’, ‘private sector involvement’ or ‘partnering with the private sector’ are used to describe the more active and more development-conscious role for private sector actors, which corresponds more to PS4D. Also, some publications try to avoid the term ‘partnering’ because of the possible confusion with a more strict interpretation of partnerships, as in public private partnerships (PPPs).

Figure 2.1 Key concepts and how they relate to each other



In this report private sector ‘engagement’, ‘involvement’ or ‘partnerships’ are considered as ways to boost private sector for development (see figure 2.1). One can argue that they each describe different degrees of private sector commitment, but in this report we will not discuss these differences in-depth.

2.2 Typology

Although indispensable vocabulary to keep track of the main threads in the debate, these basic concepts give little grip when exploring the multitude of donor policies, strategies and mechanisms. Different typologies (see annex 1 for visuals) have been developed to expose the main categories and characteristics of relationships between donors and private sector. Each offers a different, often complementary, tool to identify and organize important information on how donors and private sector relate to each other in the field of development. Combined they may deliver the key ingredients for a tailor-made typology that should allow a better understanding of the role of private sector in development.

2.2.1 Going to ground level

A first helpful distinction is between **objectives, rationales, modalities and approaches** (Smith, 2013). Donors’ relation to the private sector can be framed by their general and specific development objectives. For example, poverty reduction, effective governance or sustainable

development are such objectives. However, the objectives are not the same as the 'rationale' behind the private sector strategy. The rationale portrays the donor's conception of how the private sector will contribute to reaching this objective. For example the private sector's political influence, capacity for job creation, capital, or management expertise are different levers that donors may hope to activate. They will do so by using a variety of 'mechanisms' or 'modalities' to interact with the private sector. For example, some may establish consultative fora for information exchange with business, others may advocate for more stringent CSR norms, others may fund incubator programmes for new start-up business or provide loan guarantees to encourage lending to high risk projects that would benefit development. Finally, donors often develop an 'approach', which bundles a set of modalities used together to meet a set of objectives. For example, making markets work for the poor (M4P) or private sector development can be seen as such approaches.

A contribution by Humphrey et al (2014) can be used to elaborate on this. They use **the rationale** of private sector strategies to define three categories: the first aims to increase the quantity of business activity, the second and third aim to influence its quality either by discouraging business from undertaking activities with a negative development impact (do less harm agenda), or by encouraging business activities that have a positive development impact (do more good agenda). The underlying assumption - or 'objective' in Smith's language - of all three is that donors seek to promote business activity and/or work with business to contribute to the achievement of development goals. In other words, they aim to attain public good through private sector activity.

However, taking the underlying objective as the main criterion to characterize a specific strategy or mechanism is tricky when in most cases donor policy statements are the only available information. Donor policy statements often mention several general goals without much information on where the priorities lie, or without specifying what strategies or modalities are applied to pursue those goals. At the level of objectives, rationales, or approaches, attributing a label often becomes a brain twister because of the limited amount of objective and comparable information. Going to ground level - the level of operational mechanisms - helps to avoid this trap

2.2.2 Focus on roles

At the operational / mechanisms level different types of information can - again - be used to characterize and differentiate. An interesting contribution in this regard has been made by Kindornay and Reilly-King (2013). They take into account **the level of intervention** to better understand and typify a specific mechanism. They distinguish between macro, meso and micro level. Macro level interventions aim to create a business-enabling environment, by building the economic, legal and regulatory conditions for the private sector to thrive. Interventions at the meso level address market imperfections, aim to build value chains or integrate all actors into the markets. Their focus lies on making markets work better. Micro level interventions invest in businesses and people, mostly by building support services. The distinction between micro, meso and macro can improve our understanding of how a specific mechanism is being used, but it fails to identify crucial information on how the private sector actor is involved.

An equally interesting attempt by Smith (2013), who looked at form and content of donor engagement with private sector, delivered a list of 10 ways in which donors engage business in development: 1) Consultation and dialogue; 2) Establishing information exchange and networking platforms focused on particular issues; 3) Linking businesses to create new opportunities; 4) Mobilising funds and expertise from business; 5) Advocating for positive business practices; 6) Providing technical or management advice to companies; 7) Sharing investment risk to stimulate

innovation; 8) Co-funding shared value; 9) Funding private sector research and development; and 10) Contracting private sector entities to provide services (Smith, 2013). This typology can help to identify what the interaction between donor and private sector is about, but it takes a donor perspective and reveals more about the donor's role than about the role of private sector actors.

A similar approach has been undertaken by DiBella et al. (2013). The main objective of their research was to classify and unpack the various forms of development cooperation actors' engagement with the private sector. They present six modalities of engagement: 1) policy dialogue; 2) knowledge sharing; 3) technical cooperation; 4) capacity development; 5) grants and donations, and 6) finance (Di Bella, Grant, Kindornay, & Tissot, 2013a). In line with Smith's conclusions, the study demonstrates that the interactions between development actors and private sector can take many different forms (e.g. public-private partnerships, advanced market commitments, challenge and innovation funds, co-financing, etc.), often more than are usually considered in the current discussion on private sector for development. However, again the typology focuses on what might be considered the 'currency' of the relationship between donor and enterprise, and does not convey what the private sector actor is actually doing. It also fails to accommodate some interesting examples, such as donor's attempting to influence business practices through regulation, or private sector actors taking development initiatives without donor prompting.

Navigating the debate on the role of private sector in development cooperation may just require a typology that is based on **the actual role the private sector actor is playing**, with or without donor initiative. Davies (2010), for example, listed the following roles for private sector actors: Mobiliser of resources; Contributor of financial and in-kind resources (e.g. research funding, training, volunteers); Provider of goods and services as implementers/contractors in aid projects (and as such recipients of funding); Dialogue partner and advocacy; Partner in public-private partnerships; Driver of innovation (P. Davies, 2010).

Inspired by Davies' roles and complemented with elements from other typologies **we have compiled a role-based typology to differentiate and characterize the different roles private sector actors can play in development cooperation (see table 2.1)**. Our own as well as interviewees' and informants' trials to use the typology, brought additional ideas to fine-tune. The final typology identifies and characterizes ten different roles that a private sector actor can play in development activities:

- A first set of two roles points out that the private sector can be a resource provider in development activities, by contributing in a material (finance, in-kind) or non-material (expertise, network, data) way.
- Next, the typology identifies four ways in which the private sector can be a beneficiary in development activities. It can benefit from the donor efforts to improve the business climate, from capacity building, knowledge sharing, information provision or networking initiatives, from financial support by other development actors and from implementation contracts for specific development activities.
- Also, private sector can be the target of actors who want to influence business practices to become less harmful or more development oriented. Government can hope to influence through regulation whereas NGOs can use public campaigns or other lobby and advocacy tools.
- Private sector actors can engage in reforming or reinventing the way they do business. The typology distinguishes between reformers, who change their business practices to align it more with development goals, and developers/implementers who invent entirely new business models and/or implement them.

- Finally private sector can also be an active participant in different policy processes, such as consultation, policy dialogues, or multi-stakeholder initiatives. This can take place at different levels, from the local to the global.

Table 2.1 Roles of private sector in development cooperation

	Role of the private sector actor	Examples (not exhaustive)
1	Resource provider - finance Private sector invests financial resources.	<ul style="list-style-type: none"> • Corporate philanthropy, e.g. Bill & Melinda Gates Foundation, Philips Foundation, local companies sponsoring start-up competition. • Businesses investing in/managing investment funds with development objective.. • Impact investing
2	Resource provider - expertise and other strategic resources Private sector invests its expertise, network, data, research capacity... in activities with particular development relevance undertaken by or in partnership with other companies, government agencies, or NGOs.	<ul style="list-style-type: none"> • Established SMEs coach start-up SMEs • Established entrepreneurs/managers share expertise with peers • Bottom of the pyramid product development • Frugal innovation technologies • Allow consumer data or network to be used in development initiatives.
3	Beneficiary - enabling environment The private sector is the beneficiary of efforts to create an enabling business environment.	<ul style="list-style-type: none"> • Improving the business climate to stimulate business and investment. • Removing red tape obstructing SME development. • Infrastructure development needed for take-off of growth sectors.
4	Beneficiary - capacity development, information provision & knowledge sharing The private sector is the beneficiary of capacity development, information provision and/or knowledge sharing initiatives that aim to increase private capacity to contribute to developmental goals.	<ul style="list-style-type: none"> • Capacity development of Business Development Services (e.g. chambers of commerce). • Building business capacity on development challenges and possibilities to address them. • Donor agencies/embassies investing in information provision on business opportunities in developing countries.
5	Beneficiary - financial support The private sector is the beneficiary of financial support that aims to catalyse private sector activity or investment with particular development impact.	<ul style="list-style-type: none"> • Donor capitalization of Development Finance Institutions (DFIs). • DFIs supporting SMEs with activities in developing countries. • Challenge fund to support innovation or job creation. • Donors providing credit guarantees to catalyse high risk private investments with potential development benefits.
6	Beneficiary – of contracts for implementing aid projects & programmes The private sector is involved in the execution of development activities, in the role of subcontractor.	<ul style="list-style-type: none"> • Participation of consultancy groups & companies in development cooperation tenders (e.g. in social sectors such as education & health). • Tied aid
7	Target – of regulation, lobby or advocacy The private sector is pushed by global governance institutions, governments or civil society organisations to change business practices.	<ul style="list-style-type: none"> • Public campaign by international NGO condemning business practices of a multinational • Government using regulation to foster responsible fiscal business practices
8	Reformer – adapting existing business models through Corporate Social	<ul style="list-style-type: none"> • Make product value chain more sustainable & inclusive.

	Responsibility, Corporate Social Accountability or Stakeholder Value Maximization The private sector adapts its own business model to increase its positive development impact and sustainability.	<ul style="list-style-type: none"> • Offering product transparency. • Invest in third party certification of social & environmental commitments.
9	Developer/implementer – implementing new, social, inclusive or solidarity economy initiatives and business models The private sector develops and implements a new (inclusive, social, solidary) business model or initiative with particular development relevance.	<ul style="list-style-type: none"> • Social entrepreneurs developing a profitable sustainable business model that prioritizes both social as well as economic added value. • Businesses aiming to include vulnerable groups in their supply chain.
10	Participant – in policy dialogue & multi-stakeholder initiatives on development-related issues The private sector takes part in development related policy dialogue or multi-stakeholder initiatives that aim to influence business and development policy and practice.	<ul style="list-style-type: none"> • Participation in policy dialogue on post-2015 Sustainable Development Goals framework • Join forces with other development actors (e.g. NGO) to lobby for policy reforms regarding social or ecological issues. • Participation in tripartite negotiations & multi-stakeholder initiatives on decent work • Extractive Industries Transparency Initiative (EITI) • United Nations Global Compact

The role of ‘partner’, which does features in some other typologies, is not included in this typology. There are two reasons for this. Firstly, in development discourse the concept of ‘partnerships’ is very popular and is being used in many different ways. Secondly, considering partnership as a degree of involvement, private sector can be a partner in many of the above listed roles, depending on what it brings to the table and how it shares decision making power and responsibility with the other stakeholders involved.

2.3 In three sentences

Development actors use a plethora of concepts to describe their policies and practices with regard to the role of the private sector in development, but a common language is missing. Considering the advantages and disadvantages of several existing typologies, we argue for a typology that differentiates between the different roles private sector actors play in a specific mechanism. The typology reveals that private sector can be a resource provider as well as a beneficiary of development resources, a target of regulation or campaigns as well as a participant in policy development, and can play an active role in adapting business practices or reinventing business – all of which will have an impact on development.

3 | Bird's eye view on current private sector donor policies

3.1 Front runners

The trend of bilateral donor policies pivoting toward the private sector is becoming increasingly visible, especially since 2010. In September 2010 Austria, Denmark, Finland, Germany, Japan, the Netherlands, Norway, the United States, the United Kingdom, Sweden and Switzerland together issued the 'Bilateral Donors' Statement in Support of Private Sector Partnerships for Development'. The signatories stated their recognition for the tremendous impact that private sector actors can have on development and committed to working together with these actors in the pursuit of the Millennium Development Goals (MDGs) (UN Private Sector Forum Organizing Committee, 2010, pp. 33–34). Several non-signatories to the statement also show a clear shift towards private sector in their development policies. A search for influential donors with an explicit private sector strategy or an outspoken political commitment to include or involve more private sector in their development cooperation, reveals several protagonists: Australia, Canada, Denmark, Germany, Norway, Sweden, The Netherlands, United Kingdom, and the United States. With their analysis of the private sector strategies of Australia, the Netherlands and Sweden, the following sections illustrate how – and how differently – donors engage with this agenda.

3.2 Australia

Policy shift?

In June 2014 incumbent Australian Minister for Foreign Affairs launched Australia's 'new aid paradigm' in which the private sector featured prominently: *"We have aligned the goal of poverty reduction with the pursuit of regional economic growth. (...) This means there must be a major role for the private sector in the development sphere. It is important also to leverage new sources of development capital to pursue our objectives. (...) All new aid investments must consider innovative ways to engage the private sector and promote private sector growth in recipient countries (...) We must get away from the old stereotypes of aid donor and aid recipient and embrace the concept of economic partnerships"* (Bishop, 2014).

Although presented as a 'big bang' paradigm shift, the strong focus on economic development seems rather in line with a trend building over the past decade. 'Sustainable economic growth', 'economic reform' and 'sound financial management' have been on the Australian development agenda throughout the past 15 years at least. AusAID's 2006 white paper on development cooperation emphasized the importance of economic growth as well as the private sector's role as a driver of growth. It integrated the private sector into its overall development policy and delineated several approaches and initiatives to support this process under the headings of 1) improving the policy environment for growth, 2) promoting trade, 3) supporting drivers of growth and 4) addressing environmental challenges to sustained growth (AusAID, 2006, p. xii).

Also, a 2011 Independent Review of Aid Effectiveness recommended that Australia's aid program should do more 'to harness the power of the private sector'. The then government recognized the

importance of engaging business, established a Business Engagement Steering Committee with representatives from Australia's peak business bodies, civil society and government, and ran a high-profile Consultative Forum with Business in 2012 (Australian Government, 2013; R. Davies & Callan, 2014). At the Forum, Australia's first Private Sector Development Strategy was presented, providing a framework for how AusAID aims to support the growth of the private sector in its partner countries (Australian Government, 2012). In 2012, the development agency AusAid was integrated in the Department of Foreign Affairs and Trade (DFAT) within the Ministry for Foreign Affairs.

However, several of the initiatives announced by previous governments seem to have stalled, and some observers point out that the rapprochement to the private sector seemed to be mostly rhetorically, while human development remained a priority in the development practice of the previous governments. With the objective "to promote Australia's national interest by contributing to sustainable economic growth and poverty reduction" and private sector development as well as human development as strategic goals, the private sector now seems to be back, this time high on the policy as well as the implementation agenda (R. Davies, 2014).

Australia...

- ✓ Made strong policy statements on the place of national interest and the role of the private sector in its development cooperation.
- ✓ Has an explicit private sector development (PSD) strategy and has identified possible entry points for private sector actors in other areas of its sustainable growth program. But has no separate policy for engaging the private sector in development.
- ✓ Considers promoting the private sector in developing countries as a means to increase incomes and public revenues, thus contributing to development.
- ✓ Considers working with private contractors on implementing development programming a part of their engagement with the private sector.

Policy rationale & approaches

DFAT's current private sector related policy clearly builds on the idea that the private sector is the engine of economic growth, and thus fundamental to moving people out of poverty. In particular its contribution to individual incomes and government revenues are stressed as important levers for development (Australian Government, 2014).

With this underlying rationale DFAT's policy focuses on private sector development and proposes to undertake activities at macro, meso and micro level: 1) improving enabling environments for business; 2) strengthening key markets and sectors; and 3) maximising the development impact of individual enterprises (Australian Government, 2014). A comparison with other donors reveals that to date, Australia did little to support private sector development (R. Davies & Callan, 2014). This may be changing now that the government announced that their 'aid-for-trade' spending, currently at 13.7 per cent, will grow to 20 per cent of the aid budget in 2020 (R. Davies, 2014).

While Australian policy documents focus on private sector development, different policy statements as well as the OECD-DACS 2013 peer review reveal that Australia also engages actively with the private sector for development and the finance for development agendas. The peer review also points out, for example, Australia's involvement with additional to ODA development finance, and its promotion of ODA as an instrument to leverage

private investment that can complement and reinforce development efforts (OECD-DAC, 2013, p. 34).

Instruments

In implementation of its private sector related development policy, Australia has been or is engaged in a number of multilateral initiatives, in particular aimed at leveraging private finance and investment. Additionally, it developed some initiatives of its own. The table below offers a non-exhaustive overview of the Australian toolbox of private sector related development instruments, and includes information on the role that the private sector is attributed in each of the listed initiatives.

Table 3.1 Sneak peek in DFAT's private sector toolbox

Mechanism	Functioning
The Enterprise Challenge Fund for the Pacific and South-East Asia	Provided competitive grant funds directly to businesses in Asia and the Pacific.
Australian Government Innovation and Investment Fund – Tasmania	Provides grant funding to projects that create sustainable business growth and job opportunities, only open to holders of an Australian business member
Mining for Development Initiative	Collaboration between the Australian Government and some of the country's leading academic institutions, the mining industry and non-government organisations, with the aim of helping developing countries use their natural resources to provide economic and social benefits to their people.
AusAID–World Bank South Asia Infrastructure for Growth Initiative	Works to foster an enabling environment for infrastructure delivery and to improve infrastructure delivery in energy, transport, irrigation, urban development, water and sanitation and telecom sectors in eight countries across South Asia
Partnership with Carnival Cruise lines	Aims to boost tourism in the Pacific and improve the livelihoods of people in the Pacific, by improving connection between local producers and workers with Carnival Australia cruise ships.
Support to the Australian NGO Business for Millennium Development (B4MD)	Helps members (Australia and the world's largest companies) to build commercially viable, scalable business enterprises focused on poverty reduction, stimulates inclusive business practices that contribute to the Millennium Development Goals.
Seasonal Workers Program	Offers Australian employers in the horticulture industry the ability to employ workers from eight selected Pacific Island countries and Timor-Leste when they cannot find enough local labour and aims to contribute to the economic development of participating countries.
Extractive Industry Transparency Initiative	Is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources.
AgResults⁸	Is multilateral initiative that stimulates private sector R&D of new and affordable technologies for farmers in developing countries
Support to Private Infrastructure Development Group⁹	Mobilises private sector investment to address market and institutional failures that constrain the private sector's involvement in infrastructure development in developing countries.
Support to the International Finance Cooperation (IFC) Pacific Micro-finance Initiative (PMI)	Improves access to basic financial services, particularly for women, rural households, and enterprises, i.a. by providing grants and business advice to banks and nonbank financial institutions.
Support to Public-Private Infrastructure Advisory Facility	A World bank managed multi-donor trust fund that provides technical assistance to governments in developing countries in support of an enabling environment for private investment.
Support to the global development innovation ventures program	Stimulates private sector R&D of new and affordable technologies for farmers in developing countries.

Source Based on (AusAID, 2006; Australian Government, 2013, 2014; OECD-DAC, 2013)

⁸ Also participating: Canada, UK, US

⁹ Also participating: UK, Ireland, Switzerland, Germany, Sweden, the Netherlands

However, as is often the case, tables such as this do not tell the whole story. For example, the partnership with Carnival Cruises was announced but little information on the actual state of play is available. The Enterprise Challenge Fund for the Pacific and Southeast Asia, which had been running for six years, was quietly terminated in 2013.

Critical voices

Observers point out that the new government, which arrived on the scene in September 2013, seems equally keen to establish new forms of partnership with business, but it will be challenging to make this ambition concrete and put scarce funds behind it. In particular its storyline on private sector engagement is neither clear nor developed. An inquiry on the role of the private sector in promoting economic growth and poverty reduction in the Indo-Pacific, requested by the Minister for Foreign Affairs Julie Bishop, is currently ongoing (Betteridge & Davies, 2014).

Although welcoming the ambition for an innovative and effective development program and recognizing the important role of the private sector, Australian development NGOs have stressed that without businesses operating ethically, sustainably and with respect for human rights no benefits will flow to those people who need them most. They call for strong “*checks and balances to ensure engagement with the profit-driven sector works to reduce poverty and does not further entrench inequality*” (Oxfam Australia, 2014).

3.3 The Netherlands

Policy shift?

The past four years can be described as turbulent when it comes to Dutch development cooperation. A critical 2010 report by the Dutch Scientific Council to the Government (WRR) recommended i.a. that Dutch development aid should focus more on economic growth instead of on investment in education and health. This coincided with a though public debate on the limited tangible results of development cooperation of the past five decades. Together with the fallout from the financial crisis, the push for austerity measures, and changes of government, this set the scene for two rounds of deep budget cuts (in 2010 and again in 2012) and a fundamental review of the overall policy and privileged partners in official development cooperation. The extensive financing of Dutch development NGOs was radically cut, and more money was earmarked for cooperation with the private sector (ActionAid, SOMO, & Both Ends, n.d.-a). A new cabinet-level post of a Minister for Foreign Trade and Development Cooperation was established.

Since the Rutte 1 government (2010 – 2012) the share of ODA spent on private sector development has been increasing both in absolute and relative figures, and the private sector has become a more important participant in development cooperation (Actionaid et al., n.d.-a). The current government (Rutte II) continues on that road. In March 2013, Lilianne Ploumen, Dutch Minister of Trade and Development Cooperation, stated: “*The term development aid will eventually disappear (...). In the future it will be more about international cooperation as a combination of trade, investments and aid*” (Righton, 2016)[own translation]. In this move away from what she considered ‘old school’ development aid, three ambitions were put forward by Ploumen’s policy: 1) eradicate extreme poverty; 2) sustainable and inclusive growth worldwide; and 3) success for Dutch companies abroad (Ploumen, 2013a). Clearly, the Dutch government has no trouble in admitting that it embraces national interest, the need for a win-win and the success of the Dutch companies abroad as guiding principles and that it strives to align development cooperation with foreign trade and national commercial interests (Government of the Netherlands, n.d.; Ploumen, 2013a).

What has made this clear policy shift possible, according to Ploumen, was the changed business mentality of Dutch companies: “*In the conversations in board rooms of multinationals and with the*

entrepreneurs I meet everywhere in world I hear the echoes of the talks we had in the fair trade shops forty years ago (...). As mentality of companies, and specifically Dutch companies, has changed so fundamentally, the cards are different. I now consider them enterprises as mighty and effective allies. Not only in my role as Minister of Foreign Trade, but also, especially, in my role as Minister of Development Cooperation”(Ploumen, 2013b). Or should it be ‘Dutch Minister of Trade and National Interest’, critics wondered as Ploumen announced another one billion cut in development cooperation (Lodder, 2014).

The Netherlands...

- ✓ Made strong policy statements on the place of national/commercial interest and the role of the private sector in its development cooperation.
- ✓ Has an explicit private sector development (PSD) strategy and has incorporated private sector engagement as integral element of its development approach.
- ✓ Wants to shift from aid to trade and works explicitly towards an aid-exit.
- ✓ Has instruments reserved to support the Dutch private sector in developing countries, as well as instruments open to other private actors.
- ✓ Refers to existing international standards and norms extensively, but does not have a deeply developed corporate tracking of enterprises involved in its development cooperation.

Rationale and approaches

A combination of the first sentences of the Dutch government’s webpages on development cooperation summarizes the rationale behind the Dutch development policy very well: The Dutch government wants to promote sustainable economic growth in developing countries (Rijksoverheid, 2014d). The combination of trade and development cooperation is the core of the Dutch development policy (Rijksoverheid, 2014b). Economic growth is an important instrument in the fight against poverty and hunger. The Netherlands therefore stimulates business in developing countries (Rijksoverheid, 2014c). Additionally, statements by different policy makers confirm the strong belief in the power of the private sector. In the words of Hans Docter, Ambassador of the Kingdom of the Netherlands to Ghana, Ivory Coast, Liberia, Sierra Leone and Togo: “*We believe in business, and we believe in the private sector, and we believe that the private sector can lead*

growth, is leading growth at an incredible rate, not just in Ghana but across Africa” (Africa Works! Leiden, 2014). However, how the Dutch development cooperation connects the dots between trade and business, economic growth and poverty reduction is much less clear, and a more in-depth discussion on the desired patterns to growth or on how to make growth inclusive seems to be lacking.

In the implementation, bilateral development cooperation chose four focal sectors, based on what the government considers relevant for poverty reduction, where The Netherlands can add value through expertise and what is of interest to Dutch businesses, civil society organizations (CSOs), and research institutions. The selected sectors are: 1) security and the rule of law; 2) water; 3) food security; and 4) women's rights and sexual and reproductive health and rights (Donor Tracker, 2013). Across these focal areas, public-private partnerships, business instruments and economic diplomacy are expected to lead to gains in both commercial profit and poverty reduction. Consequently, since 2010 an increasing portion of the development aid budget is used to stimulate private sector development and to involve the (Dutch) companies in development initiatives (Ministry of Foreign Affairs of the Netherlands, 2014, p. 59).

Instruments

In order to link trade to development cooperation, Dutch embassies in low- and middle income countries as well as Dutch companies can make an appeal to an elaborate package of instruments. This is broken down in two sets of instruments: 1) the instruments for private sector development in developing countries and 2) trade- and investment instruments for (Dutch) companies that want to do business in developing countries (Rijksoverheid, 2014a). The different instruments implemented are summarized in the table below (where possible clustered according to the overall aim or approach, as stated by the Dutch government).

Table 3.2 A sneak peek in the Netherlands MoFA's private sector toolbox

Instrument	Goal and modalities
Contribute to an enabling business environment in developing countries	
Better regulation/legislation in developing countries (e.g. less red tape, better tax services)	
Improve access to markets for entrepreneurs in developing countries	
TradeMark East Africa	Aimed at improving custom regulation and compliance, in order to promote East African regional trade and export.
Centre for Promotion of Import from developing countries (CBI)	Helps SMEs in middle and low-income countries to get access to the European market and the emerging markets in the South.
African Enterprise Challenge Fund	A multi-donor challenge fund that stimulates private sector entrepreneurs in Africa to innovate and find profitable ways of improving access to markets and the way markets function for the poor, by providing financial support (loans, grants).
Fund Emerging Markets (FEM)	Stimulate Dutch enterprises to invest in emerging markets by providing medium- and long-term loans to companies or joint ventures that are majority owned or controlled by Dutch enterprises.
Dutch Enterprises Capacity Development Government Funds (MASSIF)	Provides financial resources to small businesses and micro-entrepreneurs (MSMEs) by supporting the local financial intermediaries and institutions that can contribute to their development.
Reliable institutions and actors	
Programme Dispatching Managers (PUM Netherlands Senior Experts)	Transfers knowledge and expertise by sending Dutch entrepreneurs to give advice to local entrepreneurs
Dutch Employers Cooperation Program (DECP)	Supports employer organisations in developing countries
Trade union co-financing	Supports trade unions in developing countries

program (VMP)	
Better public and private infrastructure in developing countries	
Private Infrastructure Development Group (PIDG)	Support the development of private, commercially viable infrastructure through investment in the construction, building, maintenance or exploitation of the infrastructure.
Infrastructure Development Fund (IDF)	Government fund supporting the development of private, commercially viable infrastructure through investment in the construction, building, maintenance or exploitation of the infrastructure. Idea behind it is to contribute to bankability of projects and the catalyse project development, by investing in the higher risk component of capital structures of projects (equity and mezzanine tickets).
Facility for Infrastructure Development (ORIO) previously ORET, soon to be DRIVE	Support the development of public, commercially non-viable infrastructure through investment in both project development as well as in the construction, building, maintenance or exploitation of the infrastructure. In the future also aimed at public-private infrastructure.
Access to Energy Fund	Government fund supporting the development of private, commercially viable infrastructure through investment in the construction, building, maintenance or exploitation of the infrastructure. Idea behind it is to contribute to bankability of projects and the catalyse project development, by investing in the higher risk component of capital structures of projects (equity and mezzanine tickets).
Public-Private Infrastructure Advisory Facility (PPIAF)	Multi-donor technical assistance facility that aims to promote private, commercially viable infrastructure by 1) channelling technical assistance to governments in developing countries on strategies and measures to tap the full potential of private involvement in infrastructure; 2) identifying, disseminating and promoting best practices on matters related to private involvement in infrastructure in developing countries. Specific target group is SMEs
PIDG/InfraCo's	Fund, mobilises private sector investment to assist developing countries in providing private, commercially viable infrastructure. Private sector does project development until bankable.
Access to financial services in developing countries (e.g. micro finance, risk insurance,...)	
Public-Private Partnership between Dutch government, Rabobank and African banks	To improve the financial infrastructure in developing countries. The Dutch government provide technical assistance.
TCX Fund	A fund established in 2007 by a group of international development finance institutions that want to improve functioning of financial markets in developing countries through hedging. It provide protection against the exchange rate risk, or currency risk, that businesses in emerging and developing economies may face when they borrow long term funds from lenders abroad.
Health Insurance Fund (HIF)	Aims to reinforce the insurance sector in middle- and low income countries. Is financed with public funds and managed by the NGO Pharm Access International
Investment Fund for Health in Africa (IFHA)	A private investment fund, spin-off of the HIF
Uncategorized	
Dutch Good Growth Fund (DGGF)	Support primarily Dutch SMEs and entrepreneurs in emerging markets and developing countries. Finances local investments and export with development relevance. Applications need to contribute to job creation, local production or knowledge transfer in the developing country.
Transition Facility	Focuses on Colombia, South Africa and Vietnam and aims to promote the transition of an aid to a trade relationship.
Dutch Sustainable Trade Initiative	Accelerate sustainable trade by building impact-oriented coalitions of front running companies, civil society organizations, governments and other stakeholders. Brokering links between companies and NGOs/ governmental organisations; Financial support (grants); Knowledge sharing; Technical Assistance
Ghana Business Sector Advocacy Challenge Fund	Enables the private sector in Ghana, as well as trades unions and the media, to influence public policy formulation, by providing financial support (grants)
Matchmaking Facility	Brokers links between companies
Facility for Sustainable Entrepreneurship and Food Security	Provides financial support (grants)
Netherlands-IFC Partnership program (NIPP)	

Source (Ministry of Foreign Affairs - Development cooperation, 2014)

As the summary shows, the Dutch development cooperation has quite some private sector related instruments in play. In response to the new 'from aid to trade' policy, additional instruments and mechanisms have been established and existing ones have been revised. How the policy shift has been translated at the level of specific mechanisms and instruments can be illustrated by the case of

one of the main Dutch instruments: DRIVE, previously ORIO and before that ORET. ORET (Ontwikkelingsrelevante Exporttransactie) started as a tied aid instrument, giving grants to governments but at the same time demanding that they would be used to engage a specific Dutch company. In 2009 it was decided that ORET needed to be revised. Firstly, because to untie the development cooperation and secondly, because the instrument's threshold was too high for SMEs. It demanded a totally developed project that, if selected, could be implemented immediately. This meant that only big companies were able to take the risk and invest in project development. Although both very valid, untying the instrument while at the same time aspiring more Dutch SME involvement was tricky. In came ORIO (Ontwikkelingsrelevante Infrastructuurontwikkeling). This instrument attempted to reunite both ambitions. It lowered the threshold for SMEs, by including part of the project development into the funding cycle: a good project idea could be handed in during the development phase. If selected a grant was provided for further development of the project idea. When fully developed into a project plan (by the government), a tender was opened for the actual implementation, supported by a grant of 15 to 65 million. Again several obstacles hindered an optimal involvement of Dutch companies. In comes DRIVE (Developmentally Relevant Infrastructure Investment Vehicle). Tendering only once, in the beginning of the project cycle and at a less detailed level in the project design, should implicate Dutch companies even more (Ministry of Foreign Affairs (2014), Africa Works!).

In particular the Transition Facility, the Dutch Good Growth Fund and the Centre for Promotion of Import from developing countries are considered as good examples of the combination between trade, investment and development cooperation. With the DGGF, operational since only July 2014, the Ministry of Foreign Affairs aims to support Dutch and local businesses in emerging markets and developing countries. It will do so by providing export and investment financing through 3 tracks: 1) Financing investments in Dutch SMEs in emerging markets and developing countries; 2) Financing local SMEs in emerging markets and developing countries, via intermediary funds; 3) Financing/insuring exports that are relevant for development from Dutch SMEs to emerging markets and developing countries. The support is given as loans and not grants, without specific requirements with regard to the development relevance of the company's activities but on the condition that applicants prove that they do respect social and ecological sustainability dimensions.

Critical voices

The Dutch policy shift has gone accompanied by strong criticism by many civil society organisations. They argue that there is insufficient proof of the actual development impact of private sector development and involvement in developing countries. In other words, the shift to private sector development is not considered evidence-based. Additionally, several elements in the current implementation of this policy are argued to undermine the development impact aims. Recommendations to address them include: 1) better incorporation and monitoring of CSR standards and norms; 2) prioritize development impact instead of private sector engagement in the instrumentarium; 3) increase transparency at both the policy and the project level (Actionaid et al., n.d.-a). In particular the establishment of the Dutch Good Growth Fund, operational since August 2014, raised controversy. Although presented as a win-win, some NGOs argue that the fund mostly serves the interests of Dutch companies (Actionaid et al., n.d.-a). The decision to channel development aid directly to the domestic private sector and to lobby internationally for the inclusion of such spending in ODA has been met with strong critiques.

A 2014 report by IOB echoes some of these critiques. In its report, IOB brings together all existing information on the societal effects of the Dutch efforts to stimulate private sector in developing countries, for the period of 2005 to 2012. The IOB confirms and supports the current orientation of the policy: private sector development is necessary. However, it also points out that current

implementation focused more on 'hard' financial conditions, instead of on 'soft' development conditions. The respective evaluations of several programs (e.g. FMO-MASSIF, FMO-IDF, PSOM/PSI and PIDG) uncover this lack of a poverty focus and attention for the development relevance. A second major issue is the poor quality of current evaluation practices, that fail to report on how the project results actually have an impact on i.a. poverty and sustainable economic growth (Ministerie Buitenlandse Zaken (IOB), 2014).

Although carefully, the OECD-DAC Peer Review also mentioned the “risk of combining private sector development with promoting Dutch commercial interests”, commending the Netherlands for its new emphasis on increasing opportunities for the Dutch private sector to engage in development co-operation but warning that it must ensure that development objectives remain paramount (OECD-DAC, 2011, p. 29).

3.4 Sweden

Sweden...

- ✓ Has policy documents on both private sector development (PSD) as well as private sector engagement (PSE).
- ✓ Explicitly mentions the ecological, economic and social dimension of sustainable development.
- ✓ Limits its cooperation with the private sector to 'like-minded' private sector actors. Has put forward specific criteria and modalities for selecting the private sector actors it engages with.
- ✓ Stated its support to and cooperation with private sector is untied, open to the private sector from all over the world, and additional.
- ✓ Stated its position against privatization of social services that constitute a right (e.g. education).
- ✓ Obliges its DFI Swedfund to prioritize spending in low income countries.

Policy Shift?

Over the past decade, the Swedish government has initiated a process to strengthen the role of the private sector in development cooperation and to draw on the knowledge and resources of the Swedish private sector. This process had led to the development of Policy Guidelines for Sida's Support to Private Sector Development in 2004, as well as to an increase in the amount of aid channelled to and through the private sector - according to some account it increased by seven times since 2006 (Reality of Aid International Coordinating Committee, 2012). Since December 2007 the Swedish International Development Agency has a portfolio for supporting private sector development.

In 2011 the Swedish government announced it would increase its funding through Swedfund, a state venture capital fund, adding 130 million over a period of three years. The aim was “to encourage the growth of robust small and medium size enterprises in countries where it is not possible to mobilize private capital for these ends” (the Reality of Aid International Coordinating Committee, 2012). In 2012 the government allocated 70 million, or approximately 2% of the development assistance budget, to support for private actors or initiatives that involve private actors in poverty reduction. Of this amount, the government allocated approximately 28 million to support innovative approaches and capacity development in the areas of business for development and information and communication technology for development.

In March 2014, the Swedish government adopted a new aid policy framework. One of six goals it puts forward is the ‘improved opportunities for poor people to contribute to and benefit from economic growth and obtain a good education’. Swedish development cooperation will try to do so by improving poor people's ability to contribute to the economy, and that also they themselves benefit from economic growth. In May 2014, Sida initiated the network "Swedish Leadership for Sustainable Development", which consists of around 20 leading companies with a Swedish connection, working together to take leadership for sustainable business and at the same time reduce poverty and find long term solutions for today's major development challenges. The network also focuses on the reduction of corruption and unethical behaviour, reduction of negative environmental impacts and maximisation of resource efficiency and finally, integration of sustainable development into core business models and activities (“Public eye: the Swedish International Development Cooperation Agency,” n.d.). Sweden has a track record on working on and with private sector and it is clear that it is keeping to its private sector course.

Rationale and approaches

Sida overarching goal is creating conditions that will enable people living in poverty to improve the quality of their lives and to contribute to sustainable global development. It considers the private sector as the driver of innovation, investment and growth, and thus playing a crucial role in development. Private sector collaboration is therefore vital for Sida’s contribution to fair and sustainable development.

Instruments

Sida offers various financial mechanisms to support private sector initiatives. It also supports and advices on cooperation with selective countries for mutual benefit and interest. Most of the support to private sector initiatives is channelled either through Sida or through the state venture capital fund, Swedfund. The table below summarizes some of Sweden’s main instrument (where possible clustered by the stated form of collaboration with the private sector).

Table 3.3 A sneak peek in Sida’s private sector toolbox

Instrument	Goal and modalities
Public Private Development Partnerships = the public and private sectors make a joint investment in a project implemented by a third party	
A Working Future	
Coffee farmers adapting to climate change	
Swedish vocational school creates opportunities for unemployed Iraqis	
Supporting Iraq’s move to market economy	
The Tonggol Tuna – a Partnership for Sustainable Fishery	
Milk increases school attendance in Zambia	
Sustainable Water Resource Management (SWAR)	
Challenge Funds = encourage ideas and innovation by inviting companies to ‘compete’ for support	
Innovations Against poverty	a challenge fund that provides matching grants (maximum 50 per cent) to entrepreneurs or companies with innovative products, services, systems and business models that serve, create opportunities and benefit people in poverty. Examples of projects that have received support include new types of battery chargers, rural renewable energy, municipal sanitation, safe drinking water and farm business advisory. It is open for applicants from all over the world and also has a special window for the Middle East and North Africa region.
Africa Enterprise Challenge Fund	supports profitable ways of raising rural incomes by developing markets for products and services that meet the needs of the rural poor. AECF has an agribusiness window as well as a special window for post-conflict countries.
Emprender Paz	a Colombian challenge fund promoting and mobilizing private sector contributions to peace-building. The objective is to result in more companies

	being committed and actively participating in the development of peace-building initiatives as part of their core business.
Powering agriculture	a grand challenge for development that encourages innovative technological and financing solutions for providing reliable and clean energy to the agricultural sector in developing countries.
Making All Voices Count – A Grand Challenge for Development	a challenge fund jointly funded by Sida, USAID, DFID and Omidyar Network aiming to create and apply innovations that support people-centered, open government. Through financial and technical support the challenge fund supports efforts of citizens and governments in emerging democracies to work together.
Seed Alliance	a challenge fund aimed at Internet Development and Digital Innovation. This fund supports initiatives that utilize new technologies to make pro-poor projects more effective and inclusive.
Drivers of change (= CSOs dedicated to influencing the private sector to work in a more sustainable and inclusive way and thereby contribute to poverty reduction)	
Inclusive business brings development - Business Call to Action	
The watchdog, whistle blower and lantern	
Female factory workers get health education	
Boot camp for entrepreneurs with a social cause	
HIV prevention makes business sense for Swedish companies	
Ten business principles will safeguard children's interests	
Sustainable methods of agriculture to halt environmental degradation and improve livelihoods	
Innovative finance = mobilizing private capital resources – both market-based and philanthropic – for development through new forms of financial solutions	
Development loans	
Guarantee arrangements	
Financial Sector Reform and Strengthening (FIRST) Initiative	a multi-donor grant facility that provides technical assistance to promote financial sector in low- and middle-income countries.
Land related investments in Africa	
Uncategorized instruments	
Women in Informal Employment: Globalizing and Organizing (WIEGO)	a global network that works with capacity and policy development to improve the status of the working poor, especially women, in the informal economy through research, statistics and networking.
Business Environment Strengthening for Tanzania (BEST)¹⁰	aims at improving the business environment in Tanzania, particularly for micro, small and medium sized enterprises in which the majority of the poor are engaged. The activities focus on reducing administrative barriers for business, improve the quality of services provided by government to the private sector and private-public sector dialogue.
Trade Policy Training Centre in Africa (TRAPCA)	a trade policy training centre that aims to increase trade policy knowledge and skills among stake- holders in least-developed countries and Sub-Saharan Africa.

Source (Sida, 2014)

Critical voices

Although recognizing the important role of the private sector as well as the sometimes progressive stances of the Swedish government in this regard, Swedish and international CSO have also formulated several critiques especially with regard to the weak evaluation of the development impact of most private sector related activities, the lack of transparency, and the increased risk for tied aid (the Reality of Aid International Coordinating Committee, 2012). Swedfund as well as other DFIs have been found to invest very little in upfront development impact assessments and often rely on an honour code for companies to behave according to the code of conduct. Reporting and external auditing are not done systematically (Bracking & Ganho, 2011; Eklöf, 2011). Furthermore, in 2012 the Swedish government took a step back from its earlier ban on the use of funds based in

¹⁰ Also participating: Danmark, the Netherlands, UK, the World Bank

tax havens by Swedfund. In response to an ActionAid campaign against the use of tax havens by Swedfund and a critical report by the Swedish Auditor General, The Swedish Ministry of Foreign Affairs instructed Sida and Swedfund in 2009 to avoid investments through tax havens¹¹. In 2012 this general ban was replaced by new guidelines that rely on the OECD Global Forum Transparency and Exchange of Information on Tax Purposes and its peer review process, which have also come under heavy criticism (Meinzer, 2012). Finally, the strong orientation toward private sector is perceived as a threat to Sweden's track record regarding the untying of aid. Research by Swedish CSOs shows that a disproportionate large part of the aid allocated to cooperation with the private sector is directed towards Swedish companies.

3.5 Discussion across donors

The exploration of Australian, Dutch, and Swedish development cooperation relationships with private sector illustrates how 'the private turn' in development policy differs between donors. The current development discourse of all three asserts a strong private sector agenda, encompassing both private sector in development and private sector for development. The first refers to functions and activities that are part of regular core business operations and that affect development outcomes, both positively and negatively, while the latter covers activities aimed at involving or engaging the private sector in development in ways that go beyond their regular business practices (see 2.1).

However, the stated policies differ in how thoroughly they are developed, in what they consider the main added value of the private sector and, without a doubt, in how they are put to practice. At the more operational level, they also illustrate differences in what private sector actors are targeted, as well as in the modalities regarding additionality, transparency, and monitoring and evaluation. In fact, this observation on the basis of three donors holds true across a much wider donor analysis. Kindornay and Reilly-King (2011)¹² and Di Bella et.al. (2013) investigated donor development policy and discourse, the first to map the different policy strategies across OECD-DAC donors, the latter to map the different types of mechanisms that donors plan to employ to implement this policy. In addition, other studies have investigated specific donors, private sector approaches or instruments in depth (Actionaid, SOMO, & Both Ends, n.d.-b; Bilal et al., 2014; Bracking & Ganho, 2011; Byiers & Rosengren, 2012; P. Davies, 2010; Ellmers, Molina, & Tuominen, 2010; Eurodad & CRBM, 2011; the Reality of Aid International Coordinating Committee, 2012; Romero, 2013). This body of literature does allow to pinpoint some general issues with regard to bilateral donors' orientation towards the private sector.

The information gap

The exploratory mapping of Australian, Dutch, and Swedish development cooperation relationships with private sector showed how difficult it is to locate and interpret all relevant information on the topic. This difficulty to pinpoint the particularities of different donors reveals a clear information gap. The different interpretations and uses of key concepts, between donors but even in policy documents of the same donor, hinder a good understanding of policy objectives, rationales and approaches. Searches in publicly available information do allow listing some instruments or mechanisms that have been put forward, but the fragmented information means exhaustive and up-to-date overviews are hard to get by. Additionally, information on what specific

¹¹ A similar debate took place in Belgium, where investments by the Belgian DFI BIO Invest were criticized due to the use of tax havens. In response a ban on the use of tax havens by BIO came into effect.

¹² Kindornay and Reilly-King (2013) looked at the objectives, rationales, approaches and budgets behind the private sector strategies of 23 OECD-DAC donors. They also gathered information on the extent to which donor strategies take into consideration development and financial additionality, international aid and development commitments, cross-cutting issues such as sustainability, gender, and human rights, and principles relating to aid effectiveness.

instruments or mechanisms actually entail with regard to the roles of the actors involved, the directionality of the relationship¹³, the type and amount of resources that are exchanged and the arrangements for and results of monitoring and evaluation are scarce and scattered.

A clear policy regarding the private sector?

Some donors have developed policy with regard to supporting private sector in development (e.g. Japan), others have developed a framework for working with private sector (e.g. Denmark, Finland, Germany) or have combined both (e.g. Sweden, UK). Some donors don't have any policy explicitly addressing the private sector whereas others have integrated it in their overall development approach (e.g. The Netherlands, Australia, Canada).

Also the extent to which donors have established, detailed, and publicly articulated their policies regarding the private sector (in and for development) varies, with some having broad strategies providing a vague direction and others outlining detailed guidelines on programming, monitoring, and evaluation (BCLC & Corporate Citizenship, 2009; Davies, 2011; Kindornay & Reilly-King, 2013). With most donors still in the process of developing their policy, only a few donors can be placed at the latter end of this continuum.

Objective and rationales?

There seems to be a strong consensus amongst donors that growth is integral to development and that in this regard the private sector has a key role to play. The private sector receives, more than ever before, wide recognition for its potential of being a key enabler of development.

In view of this, it is striking how much donors differ in how they connect the dots between growth and the private sector on the one hand and poverty reduction/development on the other hand. If they add any dots at all, some observers would point out, referring to examples such as UK, Sweden and The Netherlands in whose policies the link between growth and poverty reduction in developing countries is a rather direct and automatic one. Most donors, however, do add job creation and taxation to the mix as important gateways for growth to contribute to poverty reduction (e.g. Australia, Canada, US, EU).

Many donors may acknowledge different patterns of growth and different roles for state and private sector (Davies, 2011; P. Davies, 2010). This does not mean that they will engage with them more extensively in their policy or programming. In fact, most donors do not comprehensively address issues related to the distributional or pro-poor impacts of growth, or the role of the state in ensuring pro-poor development outcomes. Different mappings recorded few donors investing in the promotion of policies that strengthen government capacity to create decent work, collect taxes, deliver social services, and redistribute the benefits of growth to those who are most marginalized. A goal that donor strategies do put forward is improving self-reliance in developing countries through the promotion of economic growth, but this doesn't necessarily translate in full-fledged attention for domestic resource mobilization and taxation (Di Bella et al., 2013a; Kindornay & Reilly-King, 2013).

A general observation with regard to donor objectives and rationales is that donors take a very technocratic approach to fostering growth and economic development without reflecting much on

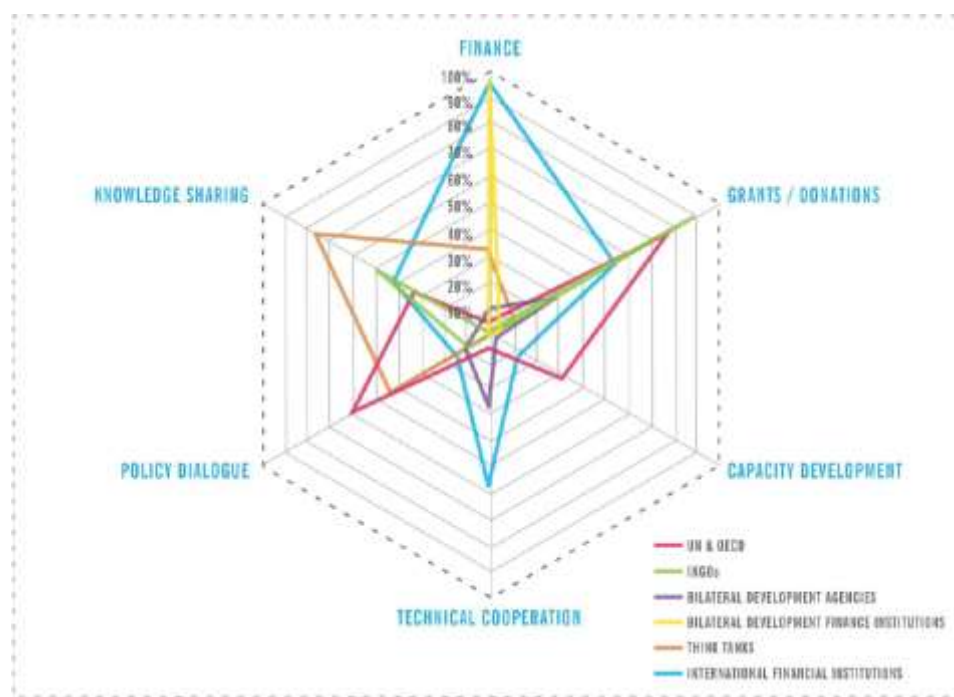
¹³ The relationship can be uni- or multi-directional. In the first case, either the development actor or the private actor is at the receiving end and the other at the providing end, with resources going from one to the other (development actor > private sector or private sector > development actor). In the second case, both actors provide and receive, leading an exchange of resources (private sector >< donor).

the role of the state and the political dimensions and choices that plotting a pathway to growth, and development entails (Kindornay & Reilly-King, 2013).

Roles for the private sector across development actors?

Although not entirely a match with the typology proposed in this report, the research by Di Bella et. al. (2013) provides some interesting indications on which development actors are attracted to which private sector roles. As explained in chapter 2, Di Bella and colleagues looked at what relationships between development actors and private sector actors are about, and proposed six different modalities of donor engagement with the private sector. Next, they mapped over a 100 strategies and mechanisms of different development actors. The spider web below visualizes some of their results (see figure 3.1). It shows that the degree to which development cooperation actors' engagement in each of the modalities varies, depending on their mandate and functions. Their results suggest that international financial institutions (IFIs) and bilateral development finance institutions (DFIs), engage mostly in finance. The United Nations (UN) engages predominantly with the private sector through policy dialogue and receipt of donations. For international non-governmental organizations (INGOs), donations from the private sector appear the primary modality, followed by knowledge sharing¹⁴. For think tanks, knowledge sharing is the primary modality of engagement. Interestingly, bilateral donor engagement seems to focus on the provision of grants and technical assistance to the private sector (Di Bella et al., 2013a).

Figure 3.1 Development cooperation actors' engagement with the private sector



Source (Di Bella et al., 2013a)

Translated to our own typology on roles, these findings suggest that in relations with IFIs and DFIs, the private sector predominantly has the role of beneficiary of financial resource. In relations

¹⁴ Di Bella et. al struggle a bit with the place of foundations in their framework. For their study they defined the private sector as organisations that engage in profit-seeking activities, thus in theory excluding foundations. However, they see strong differences between different types of foundations: on the one hand independent foundations that resemble INGOs, on the other hand foundations established by major corporations and with mandates and governance structures that somehow still link the foundation with a specific company. They decided to consider the latter as private sector.

with UN, INGOs, and think tanks it would more often take the role of provider of financial resources than of beneficiary of finance. In relation with the UN, private sector's second most important role would seem that of participant in policy processes that aim to mutually influence business and development policy and practice. In relation with INGOs and think tanks, private sector appears as a provider of expertise as well as a beneficiary of knowledge sharing and capacity building. Where technical cooperation and capacity development are occurring, they tend to flow from a development cooperation actor to the private sector. Bilateral donors apparently focus very heavily on co-funding activities with the private sector, making use of both grants and finance in these efforts. In these relations, the private sector is predominantly a beneficiary of financial resources (Di Bella et al., 2013a).

Table 3.4 Dominant roles according to actor (based on research by Di Bella et.al., 2013)

Development actor	Dominant private sector role
International financial institutions (IFIs) & bilateral development finance institutions (DFIs)	beneficiary of financial resource
United Nations (UN)	provider of financial resources participant in policy processes
International non-governmental organizations (INGOs)	provider of financial resources provider of expertise beneficiary of knowledge sharing and capacity building
Think tanks	provider of financial resources provider of expertise beneficiary of knowledge sharing and capacity building
Bilateral donors	beneficiary of financial resources

* Important to take into account is that the mapping by Di Bella et.al. did not consider reformer of business practices or developer of new business practices as separate roles. This table therefore only gives a partial overview.

Which private sector?

Donors target different actors in their rapprochement toward the private sector, and this is especially true for their work with the private sector (private sector for development). It can't be overstated that 'the private sector' is a very diverse group of actors. Core business objective, sector, scale (micro, small, medium-sized, large, multinational), provenance (local/developing country business or own/donor country business), business ownership (corporation, cooperative, partnership), and corporate track record with regard to environment, decent work, human rights, corruption and tax evasion are all criteria that set private sector actors apart. Different donors can prefer different types of private sector actors and differ in whether and they operationalize such preference.

Donors generally see a role for their own national as well as for foreign firms in their strategies, but fewer donors also explicitly put the promotion of their own commercial interests on the agenda (e.g. Norway, UK, The Netherlands). While many donors are supporting their own private sector, nearly all also include provisions for promoting the private sector in developing countries in their work, often using capacity building and the provision of financial services for SMEs as their entry points (Kindornay & Reilly-King, 2013).

Donor focus on specific sectors and countries is nothing new, in particular in the framework of the aid effectiveness agenda. Donors focus on sectors in which they believe to have most impact and added value in the pursuit of development goals. However, in the case of some donors the strengths and needs of the own private sector strongly influence this sectoral focus (e.g. the Netherlands, Germany). Focusing the development policy on sectors and countries in which the national private sector has a stake or sees opportunities, is a way to stimulate win-win between the development and economic agenda.

Many development cooperation actors stipulate certain criteria that private sector actors must meet in order to be eligible for partnership or engagement (Di Bella et al., 2013a). Kindornay & Reilly-King specify that, in the case of bilateral donors, these eligibility requirements¹⁵ are mostly technical requirements. Only a few bilateral donors have explicit requirements regarding respect for social or environmental standards or the corporate track record. Some have stipulated exclusion criteria (e.g. Sweden), for example excluding firms that are involved in the manufacturing of weapons, drugs, or pornography, or are in violation of international human rights, humanitarian, environmental, transparency, or financial standards. The general lack of clear guidelines and criteria on which type of private sector actor (origin, size, sector), under which conditions (financial eligibility, additionality, corporate track record) and in what kind of approach or set-up a development actor would consider a suitable interlocutor (both for private sector in/for development) is confirmed in several other studies (Actionaid et al., n.d.-a; Eurodad & CRBM, 2011, 2011; the Reality of Aid International Coordinating Committee, 2012; Sahan, 2013).

What place for additionality?

Additionality¹⁶ involves considerations about the extent to which public money is used to achieve development outcomes that otherwise would not have happened (Di Bella et al., 2013a; Kindornay & Reilly-King, 2013). Donors differ in the attention they pay to additionality conditions, and often provide only limited information on how they understand, assess and enforce the additionality of private sector related development activities. Development actors tend to focus on demanding additional development impact in a broad sense, such as contributions to economic growth and the improvement of living standards. Few development actors focus on financial additionality (where a specific investment or contribution of the private sector actor would not have happened with the involvement of the development actor).

3.6 In three sentences

There seems to be a strong consensus amongst donors that growth is integral to development and that the private sector has a key role to play in this regard. The extent to which donors have established, detailed, and publicly articulated a policy regarding the private sector in and for development varies, as do the underlying rationale and stated eligibility and additionality requirements. Several studies of policy documents suggest that, compared to other development actors, private sector actors predominantly have the role of beneficiary of financial support in their relations with bilateral donors.

¹⁵ Eligibility requirements for engagement refer to development cooperation actors' criteria regarding the private sector actors' characteristics, such as their financial viability or corporate track records (Di Bella, Grant, Kindornay, & Tissot, 2013a)

¹⁶ Di Bella et al (2013, p.31) clarify: Researchers distinguished between financial or input additionality and development additionality. Financial additionality refers to an investment that a private sector partner would not have made without donor support (Heinrich 2013, 14). Development additionality refers to the development outcomes that could not have been achieved without working in partnership. Heinrich (2013, 14) suggests that the latter can be conceptualized in two ways. The first is the extent to which donor support has enhanced the scope, scale, and speed of a project or brought about changes in long-term business strategies—what she refers to as behavioural additionality. The second is output or outcome additionality, which refers to the results achieved by a partnership that could only have been achieved with donor support (Heinrich 2013, 14; see also Kindornay and Reilly-King 2013, 33).

4 | The role of the private sector in Flanders' aid

4.1 Policy shift?

Compared to the policies of the protagonists discussed above, Flanders' private sector related development policy has been low-profile. So far, Flanders does not have specific policy documents discussing its policy regarding private sector in development or private sector for development, and there are no indications of a recent policy development exercise that considers the role of the private sector in development in depth. However, private sector development and sustainable entrepreneurship haven't featured on the Flemish development agenda for over a decade (Bourgeois, 2004, 2014; Peeters, 2009).

Flemish development policy between 2004 and 2009 explicitly recognized the link between development and trade. It promised measures to improve market access for products in developing countries, to support fair trade, to stimulate corporate social responsibility in internationally active Flemish companies and to improve access to credit for and develop capacity of local SMEs (Bourgeois, 2004).

For the period of 2009-2014, the Flemish Government introduced 'Entrepreneurship and employment' as one of three main themes in the Flemish development cooperation, linking it explicitly to the decent work agenda and to supporting entrepreneurship and local SMEs. As such, it did not refer explicitly to the private sector as a development actor. However, it did propose to use the Flemish expertise with regard to entrepreneurship to improve the management and technical skills of MSME's in the South (Peeters, 2009).

The newly appointed Flemish government chose - next to health and agriculture and food security - the slightly reformulated theme of 'job creation and development of small, micro and medium sized enterprises', on which it will work mainly in South Africa. It also opened the door for cooperation with the private sector as a development actor: it recognizes the international trend of increasing interest for the role of the private sector in development, points out the lack of reliable information on the most effective ways to involve the private sector as a development actor and calls upon its administration to investigate the possibilities of cooperation with the private sector. It also proposes some private sector related measures, such as contributing to private sector development, and participating in investment funds that support inclusive credit providers in the South (Bourgeois, 2014).

Although no real game changers show up in the Flemish development policy toward the role of the private sector in development at this stage, it is clear that Flanders is aware of the gravitation toward private sector in multilateral and several bilateral development policies and that it is evaluating how to engage with this trend. It remains to be seen to what extent this will be the

subject of a wide stakeholder debate. In the past, the Flemish Foreign Affairs Council (SARiV)¹⁷ argued for a more profound exploration of the possible role of private sector in development as well as for the participation of different stakeholders, especially the private sector, in such a policy process (SARiV, 2014). The Flemish Foreign Affairs Council is currently no longer active, but the International Department continues stakeholder consultation, and considers initiating a stakeholder debate on this issues. Some stakeholders, such as the trade movement and 11.11.11, the umbrella organisation of Flemish North-South organisations have already voiced concerns regarding the role of private sector in development cooperation. They have, amongst other issues, warned against a focus on job creation without an emphasis on decent work, and against making costs for certain private investments and activities public, while the benefits remain private. Recently a Commission on the National Action Plan concerning Business and Human Rights has been established, within the existing national Council on Policy Coherence for Development. It remains to be seen whether it will also address questions related to private sector and development cooperation.

4.2 Rationale and approaches

The respective Flemish governments consider economic growth crucial to development and sustainable poverty reduction, but on the condition that economic growth is combined with decent work and with respect for the carrying capacity of the earth. The economic, ecological and social dimensions of sustainable development are thus explicitly recognized (Bourgeois, 2014; Peeters, 2009). In this regard the Flemish development policy discourse maintains a rather holistic approach to development and connects the dots between economic growth and development in a relatively nuanced way. Until now the Flemish development policy discourse doesn't stress national interest, reciprocity or win-win in its formal development policy, as is the case in other donor countries such as The Netherlands.

A screening of the present and past development policy documents shows that Flanders frames its development cooperation in several private sector related approaches. The most prominent and consistent one is private sector development, present in the subsequent general policy documents as well as in current country strategy notes. With regard to PSD, Flanders uses a specific actor focus on SMEs and a thematic focus on job creation. Additionally, the previous government explicitly engaged with the 'aid for trade' (AfT) approach (Peeters, 2009), the current government mentions 'business development services' (BDS) for SMEs (Bourgeois, 2014).

Table 4.1 References to the role of private sector in development in subsequent policy documents on development cooperation

Period 2004-2009	Period 2009-2014	Period 2014-2019
✓ States clearly that development goes far beyond development cooperation and that one cannot ignore the link between development and trade.	✓ Considers economic growth combined with decent work the main contribution to sustainable poverty reduction. Considers ecological sustainability an absolute condition for development.	✓ States the importance of economic growth but on the condition that it respects the carrying capacity of the earth. Stresses it will take into account social, economic and ecological dimensions in its development policy.
✓ Proposes several measures in this area, i.a.:	✓ Identifies 'entrepreneurship and	✓ Identifies 'job creation and development of small, micro and medium sized enterprises' as one of its three focal themes, on which it
○ Improve access to our markets for products		

¹⁷ No longer active since end of 2014.

<p>originating from developing countries – with a Helpdesk Import Flanders;</p> <ul style="list-style-type: none"> ○ Support fair trade indirectly (campaigns by NGOs) as well as directly (public procurement); ○ Inform Flemish companies with activities in development countries on CSR and stimulating exchange between companies and CSOs on this topic; ○ Offer guarantees to Flemish development funds to allow them to improve micro-finance; ○ Develop capacity of local SMEs with Helpdesk Import Flanders <p>✓ Does not explicitly mention private sector as a development actors, but does recognize its potential by its Helpdesk Import initiative.</p>	<p>employment’ as one of its three focal themes and promises to:</p> <ul style="list-style-type: none"> ○ Support the decent work agenda; ○ Stimulate entrepreneurship through micro-finance; ○ Use Flemish experience with regard to entrepreneurship to improve management and technical skills of MSMEs in the South. <p>✓ Subscribes to the aid for trade agenda.</p> <p>✓ Does not explicitly mention private sector as a development actor.</p> <p>✓ Excluded Flemish companies that do not comply with the principles of sustainable and ethical international entrepreneurship (DEIO) in its own policy, from any government subsidies regarding international entrepreneurship.¹⁸</p> <p>✓ Wants to promote labour- and environmental norms and social consultation in emerging- and developing countries (through ILO).</p>	<p>will work in particular in South Africa by:</p> <ul style="list-style-type: none"> ○ support services for SMEs, especially in social economy. ○ explicit attention for decent work <p>✓ Recognizes the important role the private sector has to play in improving and strengthening the agricultural production chain in Malawi and wants to appeal to this role together with other donors in Malawi</p> <p>✓ Recognizes the wider trend of increasing interest for the role of the private sector in development, but points out there is a lack of reliable information on the most effective ways to involve the private sector as a development actor. Calls to investigate further.</p> <p>✓ Wants to support the development of the private sector in development countries</p> <p>✓ States explicitly that any support to the private sector will remain entirely untied.</p> <p>✓ States explicitly that measures that emphasize export promotion will be reported as OOF and not ODA.</p> <p>✓ Wants Flemish companies to business abroad in a sustainable and socially responsible manner.</p> <p>✓ Recognizes that Flemish production and consumption impacts the global South and wants to make aware its citizens on this link.</p> <p>✓ Wants to facilitate access to financial services for entrepreneurs in developing countries.</p> <p>✓ Wants to stimulate technological and technical North-South cooperation in the private sector.</p> <p>✓ Plans to take into account the development impact in negotiations on bilaterale and multilateral trade agreements.</p>
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Source (Bourgeois, 2004, 2014; Peeters, 2009)

4.3 Roles and instruments

All roles for private sector actors, as presented in the typology (see chapter 2), are recognized *implicitly* in at least one of the main policy frameworks on development cooperation (between 2004 and 2014). The emerging trend of mobilizing private sector for development is also recognized.

¹⁸ In related policies the government emphasized the need for a stronger internationalization of the Flemish economy and proposed measures to increase export and internationalization of Flemish (small and medium-sized) enterprises, such as financial support, individual and tailored counselling, an internet platform providing advice, market information (by Flanders Investment and Trade (FIT)).

Private sector & development in different policy domains: some examples

The Flemish Partnership for Water and Development

The Flemish Ministry of Environment co-finances water- and sanitation projects in cooperation with different Flemish partners, including private and public companies and research- and education institutions.

Flanders Investment & Trade (FIT)

The Flemish Government established FIT to stimulate international entrepreneurship. As one of many services to Flemish enterprises, FIT provides Flemish consultants with a subsidy to conduct feasibility studies on environmental or infrastructure projects in developing countries. FIT also offers information and support with regard to sustainable/responsible international entrepreneurship, and made an agreement with the International Finance Corporation of the World Bank for a contribution to the Technical Assistance Trust Fund.

Incofin and Alterfin

Flanders supports Incofin and Alterfin. Incofin advises funds that invest in microfinance institutions (MFIs) in developing countries. Alterfin is a social investor that raises capital in Belgium and invests it in microfinance institutions and fair trade farmers and producers associations.

Department of Economy, Science and Innovations

Although in recent years less active in this domain, the Agencies Economie and Entrepreneurship within the department ran different projects on SME development in South Africa.

However, at the moment Flanders does not have a separate policy document on its strategy regarding the relation between its development cooperation and private sector actors, and no global, encompassing policy seems to exist.. Exploratory fieldwork in South Africa, publicly available policy documents and project data, ODA reporting data and an additional round of data collection amongst the Flemish representatives in the three partner countries Malawi, Mozambique and South Africa show that current private sector related development activities mostly concern private sector in development. Yet, some also have elements that could be labelled private sector for development, especially in South Africa.

4.3.1 ODA views across countries and departments

Tracing development activities with a private sector component is a good way to understand the limits of current ODA reporting. The ODA data learns us that in Flanders 11 different government departments spent ODA in the period between 2006 and 2013, of which 8 have been active in one or several of the three partners countries of Flanders, which are Malawi, Mozambique and South Africa. Screening their projects in the main sectors of 'trade', 'industry' and 'social infrastructure' suggest that 4 departments deploy development activities which are clearly labelled to have private sector component¹⁹. A closer look at the selected projects shows that there may in fact only be three – when leaving out the Department for Culture, Youth, Sports and Media who do invest in social infrastructure but without clear private sector components. Or is two - when leaving out the work on social housing by the Department of Physical Planning?

¹⁹ Department of Foreign Affairs, Department for Culture, Youth, Sports and Media; the Department for Economy, Science and Innovations; the Department for Physical Planning.

The provision of social housing may be done in cooperation with a local social entrepreneur, or through a public-private partnership with a local or international company, and in fact, the same goes for projects on culture or sports. And what to say of all the projects we excluded by not looking at categories such as agriculture, forestry, tourism, which all may well have a private sector component? Such an exercise demonstrates why it is so hard to get a grip on the facts and figures with regard to private sector in development cooperation: often thematic or sectoral labelling does not cover the possible ways the private sector may be involved.

Looking at the type of beneficiary could be another way to approach it, but that would reveal only those projects where private sector actors are beneficiary and it would ignore all projects where they play a different role. Such a search delivers 37 projects across 3 departments. Digging a bit deeper (taking into account the type of expense) shows that about half consist of administrative costs. This results in a sum of 19 projects in which bilateral cooperation with the private sector as beneficiary took place. But again, leaving out projects in which private sector took on a different role.

A critical analysis of the ODA data combined with information collected during fieldwork and in collaboration with Flemish representatives quickly reveals that, although indicative and informative, general ODA data needs to be corroborated by additional project data to get a more complete picture²⁰. In fact, the limitations of ODA are even more fundamental, as the ongoing international debate on the definition of ODA illustrates. In the context of the Financing for Development agenda and the quest to mobilize private sector resources for development, the current definition of ODA imposes restrictions and is being questioned. However, to date it is still the only clear framework to delineate development oriented resources flows. The remainder of this chapter explores the role of private sector in official development cooperation, and thus focuses on ODA. It also focuses on projects managed by the Flanders Department of Foreign Affairs, leaving activities initiated by other departments or indirectly through support to third parties out of the limelight. Yet it is important to take into account that there are several other actors, beyond the Department of Foreign Affairs, and other policy domains and activities, beyond ODA, that are relevant for the reflections on the role of the private sector in development (see box).

4.3.2 Flemish cooperation with Mozambique & Malawi

The screening of recent or ongoing projects in Malawi (see also annex) showed that if private sector actors are involved, they are mostly trusts (not for-profit), farmers or farmer associations. The most prominent roles for private sector actors are those of 1) beneficiary of efforts to improve the enabling environment, 2) beneficiary of capacity building, knowledge sharing or networking, and 3) participant in policy dialogue.

However, the important role private sector can play in and for development²¹ does seem to be recognized. The identification of main challenges in agriculture specifically refers to the need for an increased role for the private sector. It is also demonstrated by the explicit recognition of the private sector as an actor that needs to be involved in policy dialogue on development, as is stated in the country strategy paper on the development cooperation between Flanders and Malawi. For example, in order to expand the export base of Malawi, the Government of Malawi launched the National Export Strategy (NES) (2013-2018). To coordinate all efforts – private and public – for

²⁰ Partly such an exercise was done by sharing the list of projects we earmarked as 'private sector related' with the representatives on the ground in order to get additional information on them. But since there is no common framework yet on what would constitute a clear private sector component, these country specific self-assessments (presented in annex) lack information too.

²¹ Private sector in development and private sector for development: The first refers to functions and activities that are part of regular core business operations and that affect development outcomes, both positively and negatively, while the latter covers activities aimed at involving or engaging the private sector in development in ways that go beyond their regular business practices.

the realization of the NES, a SWAP (sector-wide approach) is under preparation for Trade, Industry and Private Sector Development (TIP SWAP). Similarly for the agricultural development strategy of Malawi, laid out in the ASWAP. In addition to an executive management committee, a Sector Working Group (SWG) has been established, to organizing consultation and policy dialogue with CSOs, private sector and development partners. Such policy spaces, where traditional development actors and private sector are at the same table, might hold interesting potential when investigating different entry points for activities regarding private sector in and for development.

Beside the start-up project ‘Putting Malawi on the map as attractive tourism destination: Public-private partnerships for effective destination management’, few activities have been noted with regard to private sector for development in Malawi. The same with regard to Mozambique, where very few private sector related projects were identified. Several regional projects, including the SEED project (Social and environmentally-friendly entrepreneurship in southern Africa), the ‘Decent Work Country Programme Support Project - Improving Social Dialogue’, and the ‘Promotion of Decent Work in Southern African Ports and project on social dialogue in port work’, also deploy activities in Mozambique. Additionally, ‘Innovations in Maternal Child Health’ is a project with the Clinton Health Access Initiative (CHAI), which might be a partner with interesting private sector for development experience. However, identifying less visible or implicit private sector components in ongoing projects is often only possible through fieldwork or more in-depth research of the local situation.

4.3.3 Flemish cooperation with South Africa

Not surprisingly, the situation is rather different in South Africa: As the regional economic powerhouse, its economic landscape and development agenda present a distinct set of challenges and opportunities. Domestic policy makers made job creation and the development of a local SME-sector a priority, and compared to other developing countries a diverse range of established local and international private sector actors are active on the ground. Tuning to this reality, Flemish development policy 1) has focused on job creation and SME development in South Africa, and 2) has put a fundamental reconsideration of its development cooperation with this emerging, middle-income country on the agenda. It doesn’t however pay explicit attention to mobilizing the private sector for development.

With ‘job creation and development of small, micro and medium sized enterprises’ as main policy theme, Flemish development cooperation with South Africa has a clear entry point to work on private sector in development. The most recent country strategy paper (2012-2015) clearly states its objective and rationale in doing so: “The overall objective (...) is to contribute to the reduction of poverty and inequality (...). Special emphasis of the programme will be on facilitating access of the marginalised and poor to the labour market by means of the promotion of decent work, skills development, entrepreneurship training, and the promotion of small enterprise development”(DIV, 2011). In both the further development and on-the-ground implementation of the activities, the accent is primarily on private sector development.

However, in several ways the on-the-ground practice crosses the line of ‘private sector in development’ and mixes with the ‘private sector for development’ agenda. Activities with a clear private sector for development component include, amongst others:

- **Employment creation through small-scale enterprise development – with the International Labour Organisation (ILO)**

This project intervenes at macro, meso and micro level in an attempt to scale-up decent employment opportunities through SMEs. At the macro level it works toward a stronger culture of entrepreneurship and a more conducive policy, legal and regulatory framework for SME development. At the meso-level it strengthens the capacity and uptake of sector-specific business development services. At the micro level it provides SMEs with financial and other types of support.

The target group of the program clearly includes private sector actors, such as potential entrepreneurs and existing SMEs, but private sector actors are also involved in other ways. The enterPRIZE job creation challenge, a competition for SMEs, is one activity that demonstrates this nicely. In 2014, the competition awarded tailor made combinations of financial support and technical assistance, along with business management coaching and mentorship to the winners. These prizes were offered by local and international sponsors such as Nedbank, Microsoft, Deloitte, Blue Pencil, Microsoft Bizpark, Free State Agriculture, PETCO, Gramercy Millennium Group, Development Franchising, Sport for All, PVC, New Africa, UFS, Cut, Inobits and ViGO. Established local and international enterprises thus provided financial and other resources to local SMEs with challenges. Ergo, private sector for development aimed at private sector development.

However, on both fronts the competition also illustrates some important challenges. The competition was aimed at 'sustainable' SMEs, it hoped to increase 'decent' work and 'green jobs', and it had a special tenet for 'social economy' enterprises, but how to operationalize these priorities proved to be difficult. In practice, the focus was on the amount of extra jobs created, whereas other issues such as the additionality of these jobs, or the social and ecological impact of the SME carried less weight. Also, no information was available on possible criteria used to select the private sector sponsors of the program. Should every job-creating SME be eligible for development support, and is every company a suitable sponsor for a development project?

- **Promotion of Decent Work in Southern African Ports – with the International Labour Organisation (ILO)**

Flanders is also involved in ILO's work on social dialogue and competitiveness in African ports, and in particular in its Durban Port Worker Development project. With the Durban Port there clearly is a private sector actor involved, although a state-owned one. Working on improved social dialogue around work-force centered productivity could benefit the company (as productivity will improve) but could also lead to positive changes in the business practices of the company (better social dialogue, and better implementation of labour rights). The Antwerp Port Training Centre (APEC) was engaged to play a role in the training component of the project, and different other centers of expertise in Belgium, like the Flemish Social Economic Council (SERV) and the social partners of the Flemish Ports Committee, and the bipartite Port Commission are also involved. On a longer term, especially in view of the planned expansion of the Durban Port, this kind of involvement of Flemish development cooperation in the port and dredging sector, where Belgian companies are prominent players, might also benefit Belgian companies when it comes to tendering. This project illustrates how the roles of private sector actors can overlap, especially when thinking longer term. It also reveals (intended or unintended) linkages between the development agenda and creating opportunities for Flemish corporations abroad.

- **Support for the Expansion of the IDC Social Enterprise Fund (SEF) – with the Industrial Development Corporation (IDC)**

Flanders provides support to the existing and operational Social Enterprise Fund, ran by the Industrial Development Corporation, a development finance institution owned by the South African government. Different overlapping objectives guide the fund: the creation of

sustainable new and additional jobs in high labour absorption sectors, the establishment of dynamic and sustainable social enterprises, and the development of a growing and inclusive economy. To achieve this, the SEF leverages finance, provides access to funding, helps create an enabling environment and supports social enterprises to become better businesses. The private sector is also represented amongst the partners and stakeholders of the project, which include the ILO, various international organisations (Schwab Foundation, ANDE, Skoll Foundation, Ashoka, Bertha Foundation, World Bank- Evoke), various business schools (UJ, GIBS, UCT), networks and support organisations (ASEN, Enablis, Endeavor), and Business Development Services (The Business Place, Shanduka Black Umbrellas, Raizcorp). Again an example of private sector development with a touch of private sector for development.

Interestingly, the IDC has developed a working definition for what constitutes a social enterprise: “a social enterprise’s primary objective is to address social problems through a financially sustainable business model where surpluses (if any) are mainly reinvested for that purpose”²². It has also defined criteria for determining the fundability of applicants, i.e. whether the initiative or enterprises creates meaningful, measurable and proven impact (social/societal, ecological or economic) (DIV & IDC, 2013). However, the operationalization and application of such concept definitions and criteria often are very challenging. How does the SEF put those in practice, what types and sizes of social enterprises are effectively selected, and to what extent would the Flemish development policy in fact want to support such enterprises? And if the implementation deviates from the Flemish development objectives, what tools would Flemish development cooperation need to guide its future involvement in such initiatives?

- **Public procurement and social economy – with the International Labour Organisation (ILO)**

The project explores the potential to use public procurement to stimulate the social economy in South Africa. On the demand side, the project will commission research to investigate the scope for public procurement from social economy as well as to review current policies from a social economy perspective. On the supply side to projects will build the capacity of social economy enterprises to respond to the opportunities created. It also seeks to develop and test new social economy enterprise models that reduce barriers to market entry for social economy suppliers and that create additional jobs.

Again this project engages with the private sector in different roles: It aims at those private sector actors that are developing and implementing new business models, it takes the role of the private sector as a target of government (procurement) policy as an entry point, it involves the private sector actors in policy dialogue, it aims to improve the business climate for specific private actors, as well as to strengthen their capacity.

- **PEERS: Partnerships for Empowered Entrepreneurs representation in South Africa – with Trias ngo**

Flanders supports the PEERS project, aimed at capacitating local entrepreneurship organisations in South Africa (as a lever to improve the business climate for small enterprises). Interestingly this is done through a collaboration of Trias vzw, a development NGO, and UNIZO, the Flemish Union of Independent Entrepreneurs. Partnerships between peers, Unizo on the one hand and local chambers of commerce on the other hand, are the core component of the project.

²² It also puts forward 5 core elements in defining a social enterprise: 1) It has a primary social benefit purpose; 2) The majority, if not all, of surpluses are reinvested in the enterprise's social and/or ecological mission and no funds are paid out to the promoters as dividends, 3) It uses a financially sustainable business model, 4) It is democratic, accountable and transparent, and 5) It operates in a socially and environmentally responsible manner (including not impacting negatively on communities)

The experiences of the PEERS project do hold some interesting points of attention. For example, framing the work with local private sector in ‘pro-poor’ language has been met with resistance. By no means limited to private sector actors, this demonstrates how the donor development discourse sometimes holds obstacles for collaboration with local actors.

- **Flemish posting platform for experts – with Ex-Change**

Flanders also supports Ex-Change, a Flemish NGO that acts as a matchmaker between Belgian experts and capacity challenged enterprises in developing countries. Over the past 13 years, Ex-Change has organized and financed over 1500 interventions by Belgian experts in response to requests by enterprises (or enterprise organisations) in developing country for support to meet a specific capacity building need. An interesting element that emerged from conversations with Ex-Change management is the evolution in the criteria used for the selection of eligible projects: qualitative criteria (e.g. good functioning of the enterprise, high future potential) and quantitative criteria (number of employees, turnover) have been complemented with criteria regarding CSR (e.g. regarding labour conditions) and with more monitoring and assessment of the expert interventions (ex-change, 2014). However, in its online available communication regarding the criteria for submission, CSR-related requirements are not mentioned. How do NGOs frame their cooperation with enterprises? How do they operationalize principles and ambitions and what dilemma’s arise? And how to take advantage of the learning opportunity that presents itself in such initiatives?

- **Supporting Social and Environmental Entrepreneurship in South Africa – with United Nations Environment Program (UNEP)**

The SEED initiative is a global partnership for action on sustainable development and green economy. It intervenes at different levels, through direct support to social and environmental entrepreneurs as well as through policy work. Selected social and environmental start-ups receive a package of capacity building, a small financial investment to help bridge their most immediate finance gaps, networking, and profiling. Past beneficiaries of SEED can be provided with advanced capacity support, particularly in the area of finance, and a larger investment for growing their enterprise. Also, networking amongst SEED winners and other relevant institutions and networks is an integral part of the program.

In the implementation of the work on SMEs an identification of suitable SMEs is required, but based on which criteria? This question can be generalized: in the interactions with private sector, which criteria can be used to identify suitable interlocutors?

The table below summarizes the information on some ongoing activities in South Africa and on the roles of private sector actors involved in these activities. It is non-exhaustive and without a doubt there are other ongoing activities that also have a private sector component – implicitly or explicitly. For example, the study commissioned by the National Treasury of South Africa and Flanders Department of Foreign Affairs on social impact bonds in South Africa (Bertha Centre & Genesis Analytics, 2014), as well as another one on social franchising are two other highly relevant initiatives. The support to research on such innovative mechanisms reinforces the impression that, on the ground, Flanders is involved in and exploring new constellations for working on and with the private sector in a pointed manner.

Table 4.2 Sneak peek at activities with a private sector in/for development component

		1	2	3	4	5	6	7	8	9	10
		Provider -finace	Provider –other resources	Beneficiary – enabling environment	Beneficiary – info, knowledge, capacity	Beneficiary - finace	Beneficiary - contracts	Target	Reformer	Developer/implementer	Participant
Employment creation through small-scale enterprise development – with ILO	MNCs, large enterprises, local SME and social economy enterprises	X	X	X	X	X					X
Promotion of Decent Work in Southern African Ports – with ILO	State-owned port, trade unions, Belgian private sector actors				X		x		x		
Support for the Expansion of the Social Enterprise Fund (SEF) – with IDC	DFI, SMEs, large companies	X	x	X	x	X				x	
Public procurement and social economy – with ILO	SMEs, social economy enterprises, research institution			X	X	X		X		X	X
PEERS – with Trias ngo	South African and Belgian chambers of commerce		X	X	X						X
Support of Social and Environmental Entrepreneurship (SEED) – with UNEP	Social and environmental entrepreneurs, both start-up and established				X	X					
Flemish posting platform for experts – with Exchange	Local and Belgian entrepreneurs, local enterprises		X		X						
Exploration of impact bonds for results-focused SMME development – with Bertha Centre	Not the study itself, but social impact bonds as a tool would involve local large companies, local SMEs	X	X				X				

Source Interviews (interview list in annex, observation during exploratory fieldwork to South Africa in June 2014; ODA database)

The activities discussed above are deployed in a specific context of which several aspects have been pointed out as relevant for future private sector related development projects. One such context element is the Broad-based Black Economic Empowerment (B-BBEE), a set of policies that aims to increase the participation of previously disadvantaged communities into the mainstream economy. A (local) company that wants to do business with or receive support from the South-African government will need to be B-BBEE compliant by scoring enough points in 8 different fields (which include equity ownership, management control, skill development, employment, preferential procurement, enterprise development and socio-economic development). Corporate social investment is only one area on which a company can score points, and it is the considered the easiest one. Through B-BBEE a pool of private sector resources is mobilized, for which the spending is left in the hands of the businesses themselves. Although many companies still resort to plain charity, the allocation of these funds has improved over the past years. More and more companies have built their expertise on managing CSI, or they have delegated this to one of the specialized trust funds (e.g. Shikululu, Stanford Bank, Netbank). Still, individual companies as well as trust funds are looking for more expertise and experience. In their search they also approach traditional development actors. For bilateral development agencies this raises the question on whether or not to get involved. Leveraging private sector resources for development goals is a dominant theme in current development cooperation and the funds might be put to a better use in the hands of more experienced development actors, but the corporate track record of the companies may not be without blemish.

SMEs, social entrepreneurship and social economy are described as the ‘catch phrase’ of current South-African economic policy. In main cities, ‘pockets’ of innovative entrepreneurs exist that are developing new business models that would fit the ideas of social entrepreneurship, social economy or inclusive business, but a lot of obstacles lay ahead. Observers point out that the legal framework is behind on the evolutions on the ground and that the environment is far from ‘enabling’. Still, very few donors are known to be linking up with this trend of social entrepreneurship in South Africa.

The exploration of ongoing development activities as well as evolutions in the economic landscape of South Africa generate some important observations as well as bottom-up questions:

- Development cooperation with South Africa is operating in uncertainty. Several other donors are in the process of shifting toward economic cooperation, and Flanders has also given signals it will reconsider its cooperation with South Africa. → How is the Flemish development cooperation with South Africa going to evolve? Is Flanders going to make a similar shift, and how can ongoing development cooperation prepare for this? How will the relations between the different representative actors on the ground (DIV and FIT) evolve?
- Development cooperation with South Africa already engages with the private sector in/for development agendas and with private sector actors in different roles. However, at least partially this is happening in a policy vacuum, since no clear guidelines exist on cooperation with the private sector. This also means local representatives have no clear benchmark for determining their position vis-à-vis opportunities and risks that arise. Should Flemish development cooperation aim for cooperation with the private sector? What should the cooperation entail (cfr. What roles should the private sector actors play)? Which private sector actors – origin, type, scale, eligibility criteria - should and which should not be taken into consideration? To a large extent this represents a lacuna in the operationalization of concepts such as SMEs, social economy, social enterprise. As previous sections have showed, this is also in line with the practices – and their limitations- of other donors. Last

but not least, how to avoid that economic interest become dominant in the cooperation with the private sector (especially with the upcoming changes in the relations with South Africa)?

4.4 In three sentences

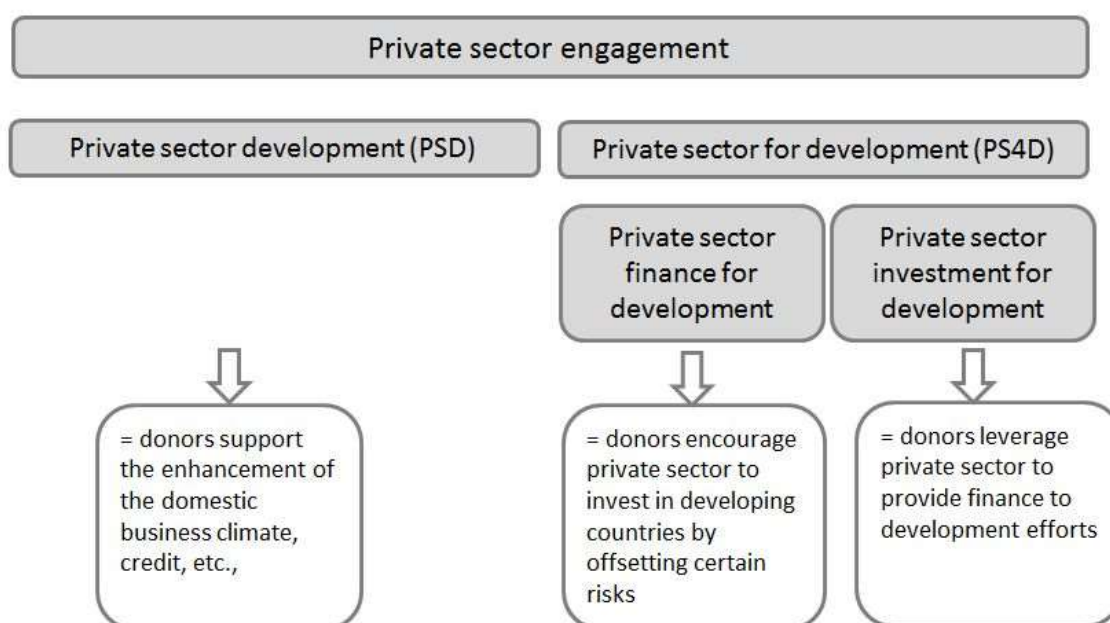
A Flemish policy framework on the role of private sector in development cooperation could give guidance on who to work with, how and to what aim, as well as on how to insure maximal development impact in such relationships. Flanders' development practice already holds some important clues on how to further develop and operationalize its policy and practice towards the private sector and these experiences could be taken into account.

5 | Further research

Building on the here presented results of phase 1 of the research, a second research phase will now be implemented. The general research question formulated to guide the second phase is: What lessons can be learned from the case of South-Africa on how to best tailor donor strategies for private sector involvement to a specific context, a specific donor type and the coherence agenda? Through three case studies of specific instruments, policy guidelines or projects, more information on what works for who in a specific context will be collected and investigated from a small donor perspective. This can be seen as a first step to tap into the experiences and insights available ‘in the field’ in South Africa, in Flemish cooperation as well as in the cooperation of other donors, and to extract insights that can feed further policy development processes.

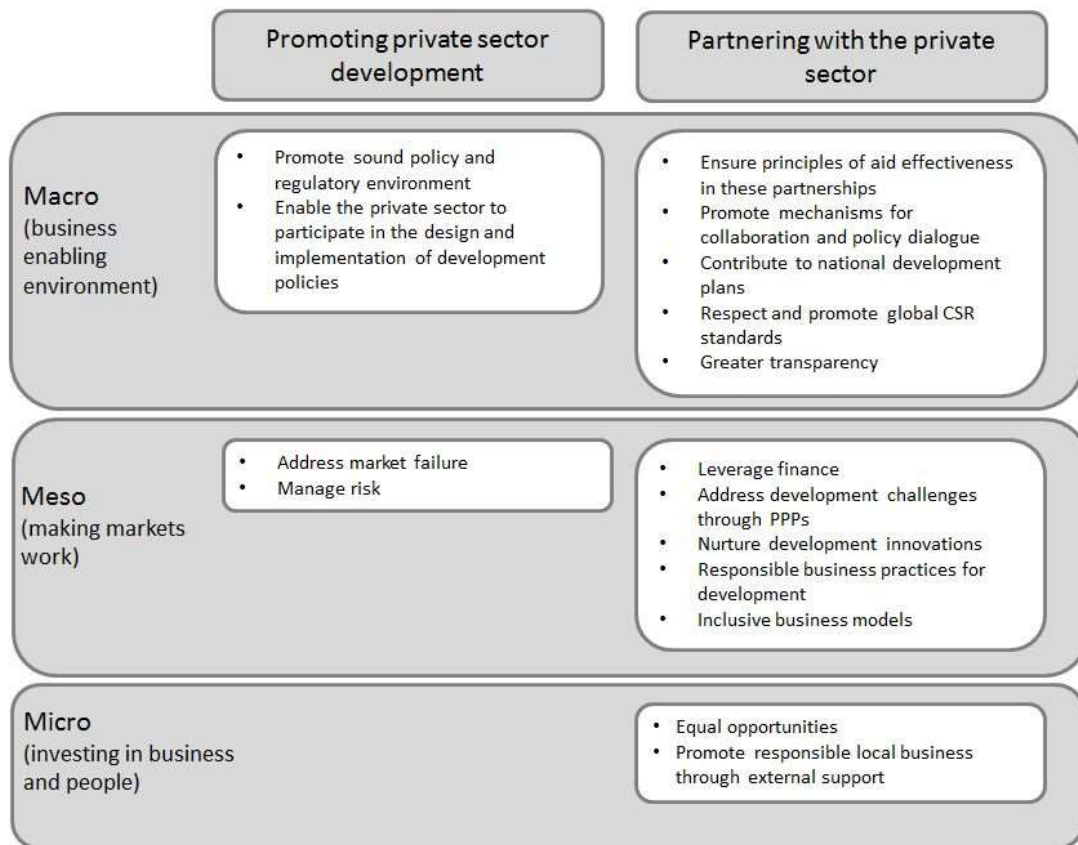
appendix 1 Overview of typologies (visuals)

Figure 6.1 Byiers and Rosengren's PSD and PS4D



Source: Byiers and Rosengren (2012)

Figure 6.2 Kindornay's macro meso micro typology



Source Kindornay & Reilly-King (2012)

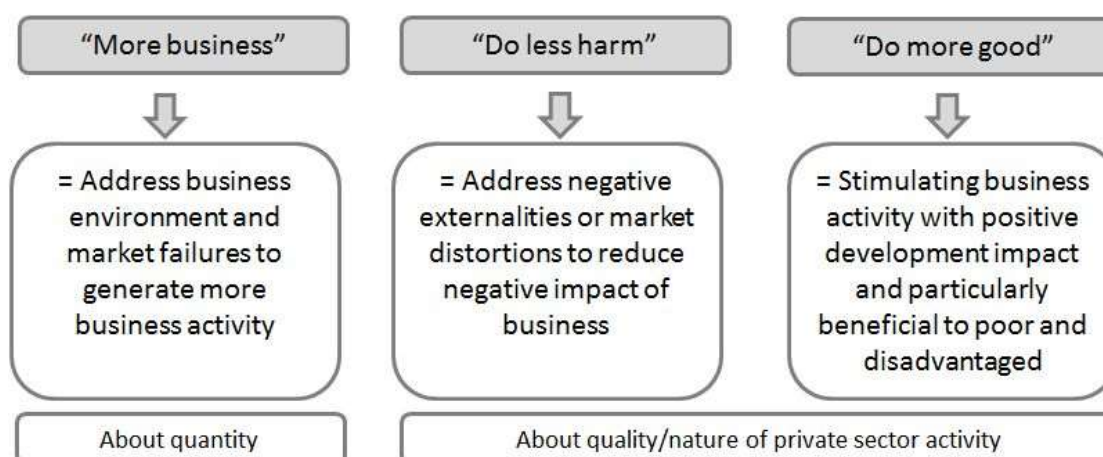
Additionally, the mapping research by both authors also presented some clear examples of interventions aimed at leveraging private sector for development at each level (see figure 5.3).

Figure 6.3 Examples of donor modalities for engaging the private sector at different levels

Macro: Business Enabling Environment	<ul style="list-style-type: none"> • engagement with private sector as dialogue partner on national development planning (ex. Germany, Sweden, UK)
Meso: Making Markets Work	<ul style="list-style-type: none"> • competition or challenge funds to develop products and services that benefit the poor (ex. Australia, Austria, Germany, UK, Canada) • advance market commitments (ex. Canada, France, Italy, UK) • matching initiatives that couple firms in donor countries with businesses in developing countries (and sometime CSOs), often with a significant focus on development impact (ex. Denmark, Norway, The Netherlands, and Finland) • support for micro, small and medium size enterprises, including farmers, with a view to integrating them into global value chains (ex. Austria, Canada, Italy, New Zealand) • financing for firms in donor countries to invest in developing countries (ex. Denmark, Germany, Finland)
Micro: Investing in Businesses and People	<ul style="list-style-type: none"> • technical assistance to private sector enterprises in developing countries (New Zealand, Denmark, UK) • support for feasibility studies for pro-poor product or service development (ex. Austria, Germany)
Other	<ul style="list-style-type: none"> • support for national and international corporate social responsibility standards like the Global Compact or the Extractive Industries Transparency Initiative (ex. Denmark, Germany, Sweden, Canada) • support for multilaterals that work with or on the private sector (ex. Austria, UK) • Research on best practices for engaging the private sector (ex. UK) • Private contractors (ex. Australia, Sweden) • Public-Private Partnerships, including with CSOs (ex. Australia, Denmark, Germany, Sweden, UK and Canada)

Source (the Reality of Aid International Coordinating Committee, 2012)

Figure 6.4 Humphrey's more business, less harm, more good agendas



Source Humphrey et al (2014)

Figure 6.4 DiBella et.al. list of modalities of donor engagement with the private sector (for development)

Tool	Goal	Actors
Policy dialogue	Change policy Create shared policy agenda and common ground	In varying forms of formalization and institutionalisation
Knowledge sharing	Learning-oriented	Almost all donors
Technical cooperation	Help business to become engaged Improve operational capacities or effectiveness	Mostly IFIs, bilateral donors and some DFIs
Capacity development	Enhance learning and abilities for SMEs to develop, for business to change core-business to be more development friendly	Mostly UN
Grants and donations	Support a specific project Leverage additional financing	Mostly from private sector to development actors
Finance	Leverage private sector finance and promote private sector investment, through the provision of finance to private sector	DFI and IFI, but more and more bilateral donors

Source (Di Bella et al., 2013a)

appendix 2 Preliminary overview of private sector actors and roles in DIV projects in Malawi, South Africa and Mozambique

Based on project information available online and in the Flanders' ODA reporting database, a list of current or recent projects involving private sector actors was compiled. Flemish representatives in the respective countries were asked to screen and complete the list by indicating which actors in which roles were involved. The information presented below is based on self-assessment in the cases of South Africa and Malawi. Due to the limited amount of private sector related activities and timing issues, the information for Mozambique has been completed on the base of project documents.

a2.1 Mozambique²³

²³ Information on private sector actors and private sector roles in development activities in Mozambique was compiled on the basis of online data on the projects. No self-assessment data has been used, although the limited current involvement of private sector actors has been confirmed by the Flemish representation in Mozambique.

Activity name (partner organisation)	Which private sector actors are directly involved, in the implementation and/or as a target group?						Other directly involving actors?	What roles do the private sector actors play?											
								Implementer	Participant in policy dialogue & multi-stakeholder initiatives	Reformer of current/own business models (CSR, CSA,...)	Developer/implementer of new business models (social entrepreneur, inclusive, ...)	Beneficiary - capacity building	Beneficiary -finance	Beneficiary – enabling environment	Resource provider – expertise i.a.	Resource provider – finance	CSOs	Government	Flemish & Belgian private sector
Ex-Change: Flemish posting platform for experts							X											X	
<i>Social and environmentally-friendly entrepreneurship in southern Africa (SEED) End: 2013</i>																			
Innovations in Maternal Child Health (CHAI)							X	X ²⁴											X
Decent Work Country Programme Support Project - Improving Social Dialogue (with ILO) End: 2013																			

Gekeken naar activiteiten in Mozambique, werden er geen KMO's, private instellingen en bedrijfsgroeperingen rechtstreeks betrokken in een activiteit (behalve voor monitoring, evaluatie of onderzoek).

24 One can consider the status of the partner organization Clinton Health Access Initiative (CHAI) is something in between an NGO and a private foundation.

a2.2 Malawi

[illegible]

Integrating and Strengthening Capacity of Farmers Into District Stakeholder Panels (with Farmers Union Malawi)			X					X			X		X			X	
<i>Reinforcing the dairy sector for small farmers in Malawi</i> <i>End: 2013</i>			X					X			X		X			X	
Procurement Support to the Ministry of Health of the Government of Malawi				X			X						X				X
Extending the Agroforestry Food Security Programme (AFSP) in Kasungu and Mzimba districts			X				X						X		X		
Enhancing institutional capacity building as a strategy to growth and development			X				X						X				
Support to Livestock Extension and Training Services (SLETS)			X								X		X				
Technology for Extension to Small-holders (TEXTS) Program (with ASI)			X				X						X				
Support to material development for agricultural extension through Institutional capacity development at DAES End: 2013							X										
Community Agroforestry Tree Seeds Banks (CATS Banks) (with ICRAF)																	
Social and environmentally-friendly entrepreneurship in southern Africa (SEED) End: 2013																	
Ex-Change: Flemish posting platform for experts		X				X					X						
Mzuzu Coffee Producers Cooperatives Union (MZCPCU)					X						X		X	X			
Farm Radio Trust			X								X		X			X	
Africa Commodity Exchange			X							X	X	X	X	X	X		

a2.3 South Africa

[illegible]

Social economy/community investment programme on local economic development - phase 2 Ended																	
PEERS: Partnerships for Empowered Entrepreneurs representation in South Africa		X								X		X					
Support for the Expansion of the IDC Social Enterprise Fund (SEF)		X	X				X				X						
Promotion of Decent Work in Southern African Ports (phase ii)																	
Ex-Change: Flemish posting platform for eXperts		X				X			X								

appendix 3 Data collection overview

Interviews:		
David Maenaut	General Representative of the Government of Flanders to South Africa (until August 2014)	Interview, June 2014
Katrien Dejongh	Attaché Development Cooperation South Africa, Flemish Government	Interview, June 2014
Nikolas Bosscher	Attaché Development Cooperation Malawi, Flemish Government	Interview (phone), September 2014
Patrick De Bouck	Head of Development Cooperation at Belgian Embassy in South Africa	Interview, June 2014
Stephen Miller	Country Director at Trias ngo South Africa	Interview, June 2014
Tim Kos	Senior Policy Officer Economic Affairs at Embassy of the Kingdom of the Netherlands Pretoria	Interview, June 2014
Deirde Van Rooyen	Acting Director at Centre for Development Support (CDS), University of Free State, South Africa	Interview, June 2014
David Uwah	Deputy Chairperson at Black Management Forum	Interview, June 2014
Kerryn Kringe	Programme Manager Network for Social Entrepreneurs, Gordon Institute of Business Science (GIBS)	Interview, June 2014
Lieve Dillen	Policy Advisor International Policies Government of Flanders, Environment, Nature and Energy Dept, International Policy Division	Interview, August 2014
Johan Malin	Project Manager International Organisations at Flanders Investment & Trade	Interview, October 2014
Caroline Ampe	Chief Executive Office at Flanders Investment & Trade	Interview, October 2014
Contributed otherwise:		
Jens Dyring Christensen	Chief Technical Advisor, Free State SME Development Initiative and KAB International Key Facilitator	June 2014
Katrien Vandepladutse	Attaché Development Cooperation Mozambique, Flemish Government	October 2014
Bruce Byiers	Policy Officer Economic Transformation and Trade Programme, ECDPM	July 2014
Roland Waeyaert	General Manager Ex-Change vzw	December 2014

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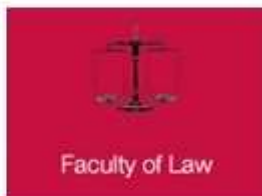
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PARTNERS



ENGLISH

The Leuven Centre for Global Governance Studies coordinates a Policy Research Centre on "Foreign Affairs, International Entrepreneurship and Development Cooperation" for the Flemish Government. A Policy Support Centre aims to scientifically support Flemish regional policies. The project brings together 17 senior and 10 junior researchers (including eight PhD students).

The Centre conducts (a) data collection and analysis, and provides (b) short-term policy supporting research, (c) fundamental scientific research and (d) scientific services.

The Policy Research Centre is based on an inter-university consortium led by the Leuven Centre for Global Governance Studies (www.globalgovernancestudies.eu) in cooperation with the Antwerp Centre for Institutions and Multilevel Politics, the Vlerick Leuven Gent Management School and the H.U.Brussel. Within the KU Leuven, colleagues from the Faculty of Business and Economics, the HIVA - Research Institute for Work and Society, the Institute for International and European Policy, the Research Unit International and Foreign Law, the Institute for International Law, and the Institute for European Law are also involved in the project.

Research is structured in four thematic pillars: (i) International and European Law; (ii) International and European Policy; (iii) International Entrepreneurship; and (iv) Development Cooperation.

For more information, see our website: www.steunpuntiv.eu

NEDERLANDS

Het Leuven Centre for Global Governance Studies (www.globalgovernancestudies.eu) coördineert de derde generatie van het Steunpunt "Buitenlands beleid, internationaal ondernemen en ontwikkelingssamenwerking" voor de Vlaamse Regering. Een Steunpunt heeft als doel de wetenschappelijke ondersteuning van Vlaams beleid.

Het project brengt 17 promotoren en 10 junior onderzoekers (waarvan acht doctoraatsstudenten) samen. Het Steunpunt doet aan (a) dataverzameling en -analyse, (b) korte termijn beleidsondersteunend wetenschappelijk onderzoek, (c) fundamenteel wetenschappelijk onderzoek en (d) wetenschappelijke dienstverlening.

We werken samen met een aantal partners: het Antwerp Centre for Institutions and Multilevel Politics, de Vlerick Leuven Gent Management School en H.U.Brussel. Binnen de KU Leuven maken ook collega's verbonden aan de Faculteit Economie, het Instituut voor Internationaal en Europees Beleid, de Onderzoekseenheid Internationaal en Buitenlands Recht, het Instituut voor Internationaal Recht, het Instituut voor Europees Recht en HIVA - Onderzoeksinstituut voor Arbeid en Samenleving deel uit van het project.

Het onderzoek is verdeeld over vier thematische pijlers: (i) Internationaal en Europees Recht; (ii) Internationaal en Europees Beleid; (iii) Internationaal Ondernemen; en (iv) Ontwikkelingssamenwerking.

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